With reference to schedule 1 to engagement letter, this file is **Deliverable B**

All balance sheet disclosures should include a comparative figure at 31/03/2010, and an additional comparative at 01/04/2009.

This extends to where comparatives for amounts reported in the balance sheet are included within text paragraphs.

INPUTS

Date of year end	31 March 2011
Start of current year	1 April 2010
Comparative year end	31 March 2010
Start of comparative year	1 April 2009
Year for financial reporting (enter as 20XX/YY)	2010/11
Year for comparative year	2009/10
Year for year end	2011
Year for comparative year	2010
Next financial year	2011/12

KEY TO COLOURS

	Cell for input
	Cell populates from elsewhere - do not amend
	Total is calculated - do not input

All text should be reviewed and amended as appropriate for the circumstances of the Authority. Text in **red** is either text from Birmingham City Council's 2009/10 Statement of Accounts, or is example text for a disclosure required under IFRS.

Validations between worksheets

Number of validation errors identified:	**19**
Number of validation errors with no comment entered:	0

Validation errors up to £0.5m may arise due to the different levels of rounding on different statements. However these differences are still displayed (and an explanation should be added) - and the user should check these look right in the finalised statements.

The note numbers here are not linked and reflect the note numbers in workbook as originally prepared.

Comment box for validation checks

MIRS

1 Total reserves equals total net worth on balance sheet - current year

MIRS	L29	Total of reserves	1,826,441.18		
Bal sht	H45	Total reserves	1,826,441.18		
			0.00	Please check	Roundings

2 Total reserves equals total net worth on balance sheet - prior year

MIRS	L20	Total of reserves	1,654,398.53		
Bal sht	D45	Total reserves	1,654,398.53		
			-0.00	Please check	Roundings

3 Total unusable reserves at year end consistent with unusable reserves note - end of current year

MIRS	K29	Total unusable reserves in MIRS	1,558,713.14		
Note 25	M19	Total unusable reserves per note	1,558,713.14		
			0.00	Please check	Roundings

4 Total unusable reserves at year end consistent with unusable reserves note - end of prior year

MIRS	K20	Total unusable reserves in MIRS	1,391,345.13
Note 25	E19	Total unusable reserves per note	1,391,345.13

-0.00 | **Please check** | Roundings

Comprehensive Income and Expenditure Statement

5 [Deleted. 'Financing and Investment Income and Expenditure' note remodelled to include both expenditure and income in note. Check of net exp no longer required.]

6 [Deleted. 'Financing and Investment Income and Expenditure' note remodelled to include both expenditure and income in note. Check of net exp no longer required.]

7 The 'Surplus or deficit on revaluation of non current assets' in Other Comprehensive Income is consistent with fixed assets and intangibles notes - current year
(This does not include impairments charged to service lines in the CIES)

CIES	J29	Sign reversed	78.38
			78.38
Note 12	J16	Cost revals	38.41
Note 12	J27	Deprec written out	39.97
Note 12	J29	Impairments in RR	0
Note 13	J31	Changes in investment prop FV	0
Note 14	F71	Intangibles revals	0
Note 14	F72	Intang impair to RR	0
			78.38

0 | **Is OK**

8 The 'Surplus or deficit on revaluation of non current assets' in Other Comprehensive Income is consistent with fixed assets and intangibles notes - prior year
(This does not include impairments charged to service lines in the CIES)

CIES	D29	Sign reversed	140.4
			140.4
Note 12	J48	Cost revals	140.4
Note 12	J59	Deprec written out	0
Note 12	J61	Impairments in RR	0

Note 13	C31	Changes in investment prop FV	0
Note 14	J71	Intangibles revals	0
Note 14	J72	Intang impair to RR	0
			140.4

0 **Is OK**

Balance Sheet

9 Net position in current assets and current liabilities for cash and cash equivalents is consistent with the note - current year

Balance sh	H23	Current asset	88.2
Balance sh	H26	Current liability	-71.54
			16.66
Note 20	K68	Total	16.66
			16.66

0 **Please check** roundings

10 Net position in current assets and current liabilities for cash and cash equivalents is consistent with the note - prior year

Balance sh	D23	Current asset	68.42
Balance sh	D26	Current liability	-63.66
			4.76
Note 20	D68	Total	4.76
			4.76

0 **Is OK**

11 [Deleted. No longer require due to new shape of provisions note.]

12 [Deleted. No longer require due to new shape of provisions note.]

Cash flow statement

13 Total cash and cash equivalents per cash flow statement is consistent with balance sheet - current year

Balance sh	H23	Current asset	88,201.00		
Balance sh	H26	Current liability	-71,538.00		
			16,663.00		
Cashflow	G20	Total	912,003.75		
			912,003.75		
			-895,340.75	Please check	Cashflow is on the snagging list for July

14 Total cash and cash equivalents per cash flow statement is consistent with balance sheet - prior year

Balance sh	D23	Current asset	68,416.00		
Balance sh	D26	Current liability	-63,659.00		
			4,757.00		
Cashflow	C20	Total	102,893.00		
			102,893.00		
			-98,136.00	Please check	Cashflow is on the snagging list for July

Note 7

15 Depreciation total is consistent with PPE note - current year

Note 7	C15	General Fund	124.23		
	D15	HRA	-		
			124.23		
Note 12	J26	Depreciation charge	124.23		
	J28	Depreciation written out	-		
			124.23		
			-	Is OK	Roundings

16 Depreciation total is consistent with PPE note - prior year

Note 7	C58	General Fund	125.54
	D58	HRA	-
			125.54
Note 12	J58	Depreciation charge	125.54
	J60	Depreciation written out	-
			125.54
			-

Is OK

Roundings

17 Amortisation total is consistent with intangibles note - current year

Note 7	C16	General Fund	5.63
	D16	HRA	0
			5.63
Note 14	F74	Amortisation charge	5.63
			0

Is OK

18 Amortisation total is consistent with intangibles note - prior year

Note 7	C58	General Fund	5.1
	D58	HRA	0
			5.1
Note 14	J74	Amortisation charge	5.1
			0

Is OK

19 Revaluations and impairments total is consistent with non-current assets notes - current year

Note 7	C17	Reval gains - GF	0
	D17	Reval gains - HRA	0

		C18	Reval losses & imps - GF	0	
		D18	Reval losses & imps - HRA	0	
				0	
	Note 12	J17	PPE - Reval changes to SDPS	0	
	Note 12	J30	PPE - Impairments to SDPS	0	
	Note 14	F72	Intang - impairments to SDPS	0	
	Note 14	F73	Intang - reversals of imps	0	
				0	
				0	**Is OK**

20 Revaluations and impairments total is consistent with non-current assets notes - prior year

Note 7	C60	Reval gains - GF	0	
	D60	Reval gains - HRA	0	
	C61	Reval losses & imps - GF	189.9	
	D61	Reval losses & imps - HRA	0	
			189.9	
Note 12	J49	PPE - Reval changes to SDPS	189.9	
Note 12	J62	PPE - Impairments to SDPS	0	
Note 14	J72	Intang - impairments to SDPS	0	
Note 14	J73	Intang - reversals of imps	0	
			189.9	
			0	**Is OK**

21 Reversal of pensions charges is consistent with defined benefits pension scheme note - current year

Note 7	I44	Total of GF and HRA	-185.98		
Note 45	I46 & K46	Reversal adjustment	-185.98		
			0.00	**Please check**	Roundings

22 Reversal of pensions charges is consistent with defined benefits pension scheme note - prior year

Note 7	I88	Total of GF and HRA	50.30

Note 45	J46 & L46	Reversal adjustment	50.18		
			0.12	Please check	Roundings

Note 26 - Revaluation reserve

23 Revaluation reserve note consistent with assets notes - current year

Note 26	K33	Upward revaluation of assets	78.38
Note 26	K34	Downward reval & imp not to SDPS	0
			78.38
Note 12	J16	Tangibles - revaluation	38.41
Note 12	J29	Tangibles - impairments to reval r	0
Note 12	J27	Deprec written out	39.97
Note 13	J31	Changes in investment prop FV	0
Note 13	F71	Intangibles - revaluation	0
Note 13	F72	Intangibles - impairments to reval	0
			78.38
			0

Is OK

24 Revaluation reserve note consistent with assets notes - prior year

Note 26	C33	Upward revaluation of assets	140.4
Note 26	C34	Downward reval & imp not to SDPS	0
			140.4
Note 12	J48	Tangibles - revaluation	140.4
Note 12	J61	Tangibles - impairments to reval r	0
Note 12	J59	Deprec written out	0
Note 13	C31	Changes in investment prop FV	0
Note 13	J71	Intangibles - revaluation	0
Note 13	J72	Intangibles - impairments to reval	0
			140.4
			0

Is OK

Note 43 - PFI

25 PFI note - two analyses of liability are consistent

Note 43	H56	Liability payments remaining	178.28		
Note 43	J66	Liability outstanding	178.28		
			-0.00	Please check	Roundings

Note 16 - Financial Instruments

26 Short term debtors consistent with note - current year

Note 16	H29	Short term debtors total	267.08		
Note 21	K56	Total short term debtors	267.03		
			0.05	Please check	Roundings

27 Short term debtors consistent with note - prior year

Note 16	I29	Short term debtors total	298.93		
Note 21	D56	Total short term debtors	298.95		
			-0.02	Please check	Roundings

28 Short term creditors consistent with note - current year

Note 16	H56	Short term creditors total	-507.84		
Note 24	K14	Total short term creditors	-507.88		
			0.04	Please check	Roundings

29 Short term creditors consistent with note - prior year

Note 16	I56	Short term creditors total	-514.58
Note 24	D14	Total short term creditors	-514.56

-0.02 | Please check | Roundings

30 Long term debtors consistent with note - current year

Note 16	D29	Long term debtors total	77.82
Note 18	J14	Total long term debtors	77.83

-0.01 | Please check | Roundings

31 Long term debtors consistent with note - prior year

Note 16	E29	Long term debtors total	68.43
Note 18	D14	Total long term debtors	68.4

0.03 | Please check | Roundings

1 April 2009 versions for above validations

32 MIRS: Total reserves equals total net worth on balance sheet - 1 April 2009 year

MIRS	L29	Total of reserves	2495554.76
Bal sht	G45	Total reserves	2495554.76

0 | Is OK | Roundings

33 Balance sheet - Net position in current assets and current liabilities for cash and cash equivalents is consistent with the note - 1 April 2009 year

Balance shC23	Current asset	71.83
Balance shC26	Current liability	-72.14

			-0.31		
Note 20	K68	Total	-0.33		
			-0.33		
			0	Is OK	Roundings

34 Financial instruments - Short term debtors consistent with note - 1 April 2009

Note 16	J29	Short term debtors total	288.38		
Note 21	C56	Total short term debtors	288.41		
			-0.04	Please check	Roundings

35 Financial instruments - Short term creditors consistent with note - 1 April 2009

Note 16	J56	Short term creditors total	-465.36		
Note 24	C14	Total short term creditors	-465.38		
			0.01	Please check	Roundings

36 Financial instruments - Long term debtors consistent with note - 1 April 2009

Note 16	F29	Long term debtors total	70.29		
Note 18	C14	Total long term debtors	70.28		
			0.01	Please check	Roundings

Validations included on other worksheets

Number of validation errors identified:	0
Number of validation errors with no comment entered:	0

The note numbers here are not linked and reflect the note numbers in workbook as originally prepared.

			Comment box for validation checks
	Balance sheet		
1	Current year in balance:	**#REF!**	Roundings
2	Prior year in balance:	**#REF!**	Roundings
	Note 7		
3	Check if rows sum to nil (CY)	**#REF!**	
4	Check if rows sum to nil (PY)	**#REF!**	

Birmingham City Council

Draft Statement of Accounts 2010/11

Index

Contents **Page**

Foreword to the Accounts

Background

This foreword identifies the significant aspects of the Council's financial performance, year-end financial position and cash flows.

These accounts set out the financial results of Council activities for the year ended 31 March 2011 and have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) which is based on International Financial Reporting Standards.

For the first time in 2010/11 the Authority is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented within the Code. The effective date of transition to IFRS for the Authority was 1 March 2009 and the Authority has restated its opening IFRS balance sheet as at that date.

The comparative figures in respect of 2009/10 have been prepared in compliance with IFRS. Reconciliations and explanations of the effect of adopting IFRS compliant accounting policies on the Authority's financial accounts is provided in note 43.

Because the impact of IFRS is so wide-reaching and because so many of the primary statements and accompanying notes have been restated, individual notes that contain restated figures will not contain the heading 'restated' above individuals columns.

The Statement of Accounts has also been significantly reformatted to comply with The Code. Statements are split between the core financial statements of Birmingham City Council and the supplementary financial statements and their purposes are:

Movement in Reserves Statement – this is a new statement that results from the adoption of the IFRS-based Code and it replaces both the Statement of Movement on the General Fund Balance and the Statement of Recognised Gains and Losses. This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund revenue or capital expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The total usable reserves at 31 March 2011 were £267.7mm (2009/10: £263.1m and 2008/09: £314.3m). Included within the usable reserves is the balance of the general fund reserve of £32.3m (2009/10: £11.4m and 2008/09: £21.1m).

The total unusable reserves at 31 March 2011 were -£1,532.2m (2009/10: -£1,364.8m and 2008/09: -£2,181.3m).

The Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The surplus on provision of services for 2010/11 amounted to £26.3m (2009/10 deficit: £467.9m) and was after non-ring fenced government grants of £276.3m (2009/10: £236.8m), non-domestic rates of £592.0m (2009/10: £536.3m), council tax income of £331.3m (2009/10: £324.0m) and the Council's share of the Collection Fund surplus of £4.1m (2009/10: £4.2m). The net total comprehensive income for the year was £172.0m (2009/10 expenditure: £867.7m).

Balance Sheet – the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority (including the HRA and the Collection Fund). The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category is usable reserves which is detailed in the MIRS section above. The second category of reserves is those the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

The balance sheet net assets total is £1,799.9m (2009/10: £1,627.9m and 2008/09: £2,495.6m).

The total long term assets have a net book value of £403.4m (2009/10: £404.5m and 2008/09: £409.6m). Included within this figure are the Council's fixed assets that have a net book value of £x,xxx.xm (2009/10: £x,xxx.xm and 2008/09: £x,xxx.xm). £x,xxx.xm of this sum is for the Council's housing stock (2009/10: £x,xxx.xm and 2008/09: £x,xxx.xm), which is calculated on the basis of Existing Use Value for Social Housing.

Cash Flow Statement – the Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income, or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority. The net increase in cash and cash equivalents for the year was £11.9m (2009/10: £4.5m).

Statement of Accounting Policies – the Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, supported by International Financial reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categorised of non-current assets and financial instruments.

Housing Revenue Account (HRA) – the HRA records the financial position of the Council's statutory obligation to account separately for the costs of its housing provision. The deficit for the year on the HRA is £17.3m (2009/10 surplus: £16.2m). However, after taking into account adjustments between accounting basis and funding basis under statute of £21.9m surplus (2009/10 deficit: £17.9m) and the brought forward, the HRA balance at 31 March 2011 is £6.2m (2009/10: £1.6m).

Collection Fund – is an agent's statement that reflects the statutory obligation to show the transactions of the Council as billing Authority in relation to Non-Domestic Rates and Council Tax. The Collection Fund shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to the following precepting authorities:

New Frankley in Birmingham Parish Council
West Midlands Fire and Rescue Authority
West Midlands Police Authority

The total net income from Council taxpayers in 2010/11 amounted to £279.1m (2009/10: £275.7m)

In addition, the Collection Fund also collects income from business ratepayers in Birmingham, which is then passed to the Government after deducting collection costs. The total net income from business ratepayers in 2010/11 amounted to £362.1m (2009/10: £363.2m).

The deficit for the year on the fund was £4.6m (2009/10 surplus: £4.7m), and the year end surplus balance on the fund is £0.1m. This position is compared to the budgeted outturn figures in the table below:

	2010/11 Budgeted Outturn		**2010/11 Actual Outturn**	
	Total	**Council Share**	**Total**	**Council Share**
	£'000	**£'000**	**£'000**	**£'000**
In Year (Surplus)/Deficit	1,709	1,519	1,599	1,412
Additional Precept Expenditure (Per Prior Year Forecast)	3,000	2,649	3,000	2,649
In Year Net (Surplus)/Deficit	**4,709**	**4,168**	**4,599**	**4,061**
Prior Year Actual Surplus	(4,709)	(4,168)	(4,709)	(4,168)
(Surplus)/Deficit C/F	**0**	**0**	**(110)**	**(107)**

Group Accounts – these statements consolidate the Council's accounts with those of the National Exhibition Centre Limited Group (which includes NEC Finance Plc), National Exhibition Centre (Developments) Plc, and Service Birmingham Ltd and others.

Changes in Accounting Policies

To be completed

Changes in Accounting Treatment

To be completed

A Summary of the Council's Financial Performance for the Financial Year 2010/11

The Council's revenue and capital budget is allocated between the Portfolio holders who make up the Executive Cabinet and Committees of the Council. Spending against these budgets is carefully monitored throughout the year and reported monthly to Cabinet. The table below gives a summary of revenue and capital expenditure by portfolio and committee.

Portfolio/Committee	**Revenue Outturn £'000**	**Capital Outturn £'000**
Leader	20,102	1,517
Deputy Leader	129,818	100,539
Adults & Communities	293,140	4,333
Children, Young People & Families	260,355	115,593
Equalities & Human Resources	6,841	66
Housing	10,325	131,310
Leisure, Sport & Culture	49,727	54,183
Local Services & Community Safety	(445)	2,868
Transportation, Envt & Regeneration	98,104	96,554
Finance	53,850	29,133
Trusts & Charities	234	0
Council Business Management	10,030	0
Planning Committee	4,678	160
Licensing Committee	352	0
Public Protection Committee	12,426	247
Constituencies	103,935	0
Sub-total	**1,053,472**	**536,503**
Capital Financing & Other Adjustments	(198,824)	0
Treasury Management	113,507	0
Total	**968,154**	**536,503**

General Fund Reserves and Balances

The General Fund balances at the end of 2010/11 stand at £32.3 (2009/10: £11.4m) and the earmaked reserves are £130.8m (2009/10: £132.4m).

Capital Expenditure

Total expenditure on capital schemes in 2010/11 was £536.5m (2009/10: £644.7m). This compared to the revised capital budget of £653.8m (2009/10: £780.9m). The under-spending is mainly due to delays in expenditure on a number of capital schemes. Details of this slippage are given in the Council's Capital Outturn report for 2010/11. It should be noted that no Council resources were lost as a result of the slippage as the resources and planned expenditure will be "rolled forward" into future years. Full details are given in Note 15 to the Council's Financial Statements.

Financing

The proposed financing arrangements in respect of the 2010/11 capital expenditure are summarised below:

Financing method	**£m**
Borrowing	252.4
Grants and Contributions	250.2
Usable Capital Receipts	28.6
Revenue/Capital Fund	5.3
Total financing	**536.5**

Borrowing

The Council's authorised limit for external debt in 2010/11 was £3,162.0m. The maximum external debt during the year amounted to £xx,xxm.

Full details regarding financing of capital expenditure and the acquisition and disposal of fixed assets are given in Notes 12 to 14 to the Council's Financial Statements.

Other resources available to fund capital expenditure include: Capital receipts, Section 106 balances, Grants and Contributions, and Revenue balances.

Future Revenue and Capital Expenditure Plans

The Council's plans for the forthcoming financial year and beyond are set out in the Council Business Plan 2011+, approved by Council on 1 March 2011. This includes a Long Term Financial Strategy and Plan for both capital and revenue expenditure, which projects all estimated financial requirements and pressures over a 10 year period and also highlights Birmingham's ambitious service transformation programme.

Revenue

The revenue budget for 2011/12 totals £1,023.4m., having been planned in the context of the significant reductions in public expenditure announced in the Government's Spending Review 2010 in order to address the deficit in the public finances. After reductions in resources of £130.9m, and also in order to provide funding to meet budget pressures, savings totalling £212.8m are required, growing to well over £300m by 2014/15. A key focus of our business planning has been the achievement of the Council's priority outcomes through the adoption of a core set of corporate principles to inform service and organisational re-design where appropriate.

Capital

The Council's key priorities are also addressed through the three-year capital programme, totalling £951m. The Council continues to pursue major initiatives, taking advantage of the availability of external and Council resources, such as the re-modelling of New Street Station and Pallasades Shopping Centre, the provision of additional primary school places and the construction of the new Library of Birmingham. Improvements in the Council's asset base are being achieved through the re-provision of services as a part of business transformation and organisational re-design, through investment in repair and maintenance and by entering into major contractual arrangements, such as the Highways Maintenance PFI scheme.

Full details of the 2011/12 Revenue and Capital Budgets can be found within the Financial Plan 2011+ approved by Council on the 1 March 2011, via www.birmingham.gov.uk

Other Matters

Pension Liability

There is currently a net shortfall that will be reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary and steps will be taken to address the shortfall. The Council's share of the shortfall is £1,406.0m at 31 March 2011. While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.

- It is not unique to Birmingham City Council; this is in common with the national position for pension funds.

- The West Midland Pension Fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

Details of the pension liability and assets can be found in Notes 39 and 40 to the Core Financial Statements.

Annual Good Governance Statement 2010/11

1 Scope of responsibility

1.1 Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Birmingham City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness

1.2 In discharging this overall responsibility, Birmingham City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 Birmingham City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available as part of the Council's Constitution on the web site. This statement explains how Birmingham City Council has complied with the code and addressed the key roles and principles in the CIPFA/SOLACE code. It also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Birmingham City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Birmingham City Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3 The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements include the following arrangements:

<u>The Council's purpose and vision for Birmingham</u>

3.1 The Council, working with strategic partners and local communities has established a Sustainable Community Strategy and a Business Plan setting out its objectives within the overall vision of “a global city with a local heart.” This aims to ensure that all Birmingham residents:

Enjoy a high quality of life – benefiting from good housing and renowned cultural and leisure opportunities. This is the overarching aim supported by

- **Succeed economically** – benefiting from education, training, jobs and investment
- **Stay safe** – living in clean, green and safe communities
- **Be healthy** – enjoying long and healthy lives
- **Make a contribution** – valuing one another and playing an active part in the community.

We have had strong public, third sector, and business engagement in developing our Sustainable Community Strategy which drives our Business Plan, Local Area Agreement and commissioning. Working with partners through Be Birmingham, the Local Strategic Partnership, the Council monitors, and reports publicly through an Annual Report on progress so residents can see how issues that matter to them are being tackled.

3.2 The Council Business Plan 2011+ sets out the Council’s priorities in terms of the Council’s contribution to these strategic outcomes.The Plan is available on the Council’s web-site and copies are circulated to stakeholders and held in libraries and neighbourhood offices. The Council Plan measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. They focus on corporate priorities and reflect the Council’s determination to prioritise the areas of greatest importance for the people of Birmingham. Information on performance across the remaining National Indicators is also included. Outcome based planning continued in 2010/11 and there was a focus on embedding this approach in all service areas. The Council Plan measures are formally agreed by Cabinet following extensive discussion with Members and stakeholders. Regular monitoring and quarterly reporting against these plans ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.3 The Council Plan includes detailed Measures in which achievement of the authority’s objectives and the quality of key services is monitored. The Measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. The Measures are also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Regular monitoring and quarterly reporting against the Measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.4 Birmingham City Council ensures the economical, effective, and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. Achievement of value for money is central to the Council Plan and Long Term Financial Strategy.

<u>Roles of Members and Officers</u>

3.5 The City Council's Constitution is codified into one document which is available on the intranet and external web pages. The Constitution sets out the respective roles and responsibilities of the executive and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Corporate Director of Governance and any amendments are agreed at the Annual General Meeting. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee. Birmingham City Council facilitates policy and decision–making via a Cabinet Structure with specific Cabinet Member Portfolios. Specialist Cabinet Committees also exist for Property, Procurement, Private Finance Initiative, Climate Change and Sustainability, Academies, and Achieving Excellence with Communities to enable more focused decision making in these areas. The Council has also devolved certain executive responsibilities to Constituency Committees. Regulatory Committees exist for Appointments, Development Control, Education Awards (Review). Licensing, Personnel Appeals, Public Protection, and Standards matters.

The Council Business Management Committee agrees the management of City Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters. The Constitution sets out the terms of reference for each of these Members and Committees and includes a schedule of matters reserved for decision by Full Council.

3.6 The Council has, from May 2010, appointed a Cabinet Member with specific responsibility for Finance. This has strengthened the Executive focus on effective financial management and value for money. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The role of the Audit Committee includes active involvement in review of financial systems and procedures, close liaison with the Audit Commission and responsibility for the approval of the annual accounts.

3.7 The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified the four statutory posts as follows:-

- Head of Paid Service - Chief Executive
- Chief Financial Officer - Director of Corporate Finance
- Monitoring Officer - Corporate Director of Governance
- Director of Children's Services - Strategic Director of Children, CYP&F Directorate

Protocols determining the roles of these officers and their relationship with Members and other Officers are set out. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Directors. The Council has a Remuneration Panel which is chaired by an independent person.

3.8 Birmingham City Council has an established Partnership Toolkit setting out the governance and internal control arrangements which must be in place when the City Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets. A programme of review against these requirements is led by Overview and Scrutiny. A Third Sector Partnership Team was established in Corporate Resources Directorate in September 2009

<u>Values and standards of conduct and behaviour</u>

3.9 The Constitution includes a Code of Conduct for Members and a Code of Conduct for Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received. The Council has developed a comprehensive programme for embedding the values of the organisation; Belief, Excellence, Success and Trust (BEST). All Council employees participate through work groups in developing actions based on these values which assist in ensuring effective service delivery and the development of the whole organisation.

Scrutiny and Risk Management

3.10 The Overview & Scrutiny Committees cover all Cabinet Member portfolios and a Co-ordinating Overview and Scrutiny Committee provides an overarching and co-ordinating role for the O&S committees. Sub-Committees cover work relating to Finance and Performance, and Human Resources and Equalities. All Executive decisions can be called in for Scrutiny to ensure that the decisions are soundly based and consistent with Council policy. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Council has a procedure for handling complaints, compliments, and comments Your Views which monitors formal contact with members of the public. Complaints are actively tracked through the process and independently reviewed. The information is regularly reported to Corporate Management Team and Members.

3.11 The City Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. All reports to Cabinet and Cabinet Members are required to include governance information relating to six areas: Council Policy, Member consultation, compliance with legislation, resourcing and policy compliance, equalities and fit with the Council's BEST programme (aimed at embedding the Council values of belief, excellence, success and trust). Reports are required to be passed to finance and legal officers to ensure that proper professional advice is provided where necessary.

3.12 The City Council has had a risk management strategy since July 2002, and this is regularly updated. Leadership is provided to the risk management process by the Director of Corporate Governance (& Monitoring Officer) who is the Officer Corporate Governance Champion and the Deputy Leader who is designated as the Member's Corporate Governance Champion.

3.13 The City Council has approached embedding of risk management in accordance with best practice guidance as a "top down" process, with a Corporate Risk Register supported by Directorate and Divisional risk registers. Birmingham Audit continues to give presentations, provide training, facilitate workshops and provide guidance through the publication of a risk management toolkit which has been produced to give managers at all levels a better understanding of how to implement risk management in their area of responsibility and to have some understanding of the process up and down the City Council. The toolkit provides a step by step approach to implementing Risk Management using the Council's methodology. The high level risk management methodology has been reviewed to provide more focus to Member and senior officer management of risk. The Council's Whistle-blowing Policy was introduced in the late 1990s and is well publicised throughout the workforce.

3.14 Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's intranet for financial, Information Communications Technology and business procedures and People Solutions for Human Resources policies and procedures. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery. The City Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with External Audit. The Audit Commission through their responsibilities under the Code of Audit Practice also reviews compliance with policies, procedures, laws and regulations within their remit.

<u>Capacity and Capability</u>

3.15 The Council has a comprehensive corporate induction programme in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. Tailored induction is also developed for new staff and Members.

3.16 The Council has introduced regular training opportunities for Members. There is a dedicated area of the intranet for Member issues and a newsletter, *City Councillor*, is produced and circulated by the Corporate Director of Governance, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. From 2008 all Councillors receive a 'Personal Pack' to encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative. All training is prioritised to assist councillors in planning workloads, etc. In addition all Councillors will automatically have access via their PCs to 'The Modern Councillor' [Learning Pool] offering a range of learning and development modules designed for easy and quick access at the convenience of the Councillor.

3.17 A Personal Development and Review Process for all staff ensures that individual's targets are aligned with those of the organisation and enables a consistent means of assessing and rewarding performance. It also provides a way of developing tailored training and development programmes for staff and managing the Council's system of competence based pay progression.

<u>Engagement with local people and other stakeholders</u>

3.18 The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Business Plan 2011+ was informed by widespread consultation and research. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council. The Customer First programme and Communications Review aim to ensure that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. As part of Excellence in People Management new arrangements for consultation with staff and representative groups were introduced. Directorates have extensive programmes of consultation and engagement activity for specific services.

4 Review of effectiveness

Birmingham City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates:

4.1 The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets how the Council meets these roles and principles in its control and governance arrangements.

4.2 The Council has a well developed methodology for annual governance review which is reviewed and updated each year. This requires each Directorate and Service area to produce an Assurance Statement to the Chief Executive highlighting significant matters to be brought to his attention and setting out the processes of internal control compliance and review in the Directorate.

4.3 The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
- the work undertaken by Birmingham Audit during the year;
- the work undertaken by the external auditor reported in their annual audit and inspection letter;
- Other work undertaken by independent inspection bodies.

4.4 The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Corporate Director of Resources is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The internal audit provision is managed, independently and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.5 The Birmingham Audit plan is prioritised by a combination of the key internal controls, assessment, and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Strategic Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Strategic Directors, School Head Teachers and Chairs of Governors as appropriate.

4.6 From the work undertaken by Birmingham Audit in 2010/11 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *"I am able to provide reasonable assurance."* In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts. Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Strategic Director or Senior Manager during the year. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to EMCB. The more significant of these are set out in section 5 below.

4.7 The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews management progress against issues raised in the Annual Good Governance Statement and in implementing recommendations made in significant, high risk audit reports.

4.8 The Council's Finance and Performance Overview and Scrutiny Sub-Committee receive reports on key control issues including risk management, budgetary monitoring, efficiency, and business transformation.

4.9 The Council Plan and performance is monitored on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate, Divisional, and Service unit business plans contain a variety of performance indicators and targets, which are regularly reviewed. The Corporate Management Team have established four Sub-Groups which focus on managing and developing different aspects of the Council's operations.

4.10 The Council's BEST programme is designed to focus each work team and individual on the values of Belief, Excellence, Success, and Trust. Further developments to the programme were made during 2009/2010. Staff develop improvement goals which focus teams throughout the organisation on improving service delivery. Incentives are provided to teams through BEST awards. The Council has also developed the Chamberlain Awards programme which rewards excellence in service delivery and work.

4.11 The Council has established a number of mechanisms to review and develop its effectiveness. These include an Excellence Board, including external challenge focusing on specific improvement areas, an informal Member Productivity, Efficiency, and Performance Group to provide in-depth analysis on behalf of the Executive, and governance arrangements around the Business Transformation Programme.

4.12 The Council's Standards Committee meets regularly and is updated on National and Local issues. Special Training Sessions were held in October and November 2007 for all Members on the Revised Code of Member Conduct. Arrangements have also been put in place for the operation of the Local Assessment regime - which became operative from 8th May 2008 - with the introduction of three Standards Sub-Committees. The Standards Committee composition has also been increased to comply with the new legislative requirements. The relevant Complaints Form and other supporting information on the new Local Assessment regime is already on the Council's website.

4.13 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Commission and officers, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues

5.1 The matters shown in this section have either been identified as having a significant or high likelihood in the Corporate Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	The Council faces reducing Government grants, reducing capital receipts and lower income from services. This poses challenges to the financial resilience of the Council. In this context, the Council's Business Plan sets medium- to long-term strategies for business changes and the management and development of its services, and a specific plan over a period of up to 10 years. By focusing on the long-term, the Council is able to ensure that sustainable plans are put in place, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.	Achievement against the budget targets and delivery of efficiencies is closely monitored by the Cabinet Member for Finance's "Star Chamber" and this is regularly reported to Cabinet and Scrutiny. Directorates continue to monitor their financial and activity performance including the delivery of efficiency savings on a regular basis. The Business Plan is constantly updated as new information becomes available and the impact of decisions can be assessed.
2	The Council is facing judicial reviews in relation to the proposed changes in the 2011/12 Business Plan, including their equalities implications, and the outcome and impact of these is currently uncertain.	The Council's position has and will be defended where appropriate. Should any court rulings impact upon the Council's course of action, as was the case with the judgements in the Judicial Review published in May 2011, relating to the New offer for adults social care, the Council will need to give careful consideration to the implications of such rulings. Any necessary changes relating:- a) to the Council's service delivery will be managed through the Council's Service and financial planning processes. b) to the Council's processes and procedures will be addressed accordingly.
3	The Council's Business Transformation Programme, which is delivering service improvements and increasing efficiency, consists of 9 inter-relating programmes covering most areas of the Council through service-based and cross-cutting projects. Most of these programmes have now been implemented and have been embedded in the Council's normal activities. There remains a risk, however, that the efficiencies projected in the programme design will not be achieved.	Detailed governance arrangements involving Member and Senior Officer leads for each Programme control all aspects of the programmes. These are supported by Programme Boards and operational structures to lead on the design and implementation of the transformation solutions. These are resourced by secondment of Council staff and change teams from Service Birmingham. A detailed methodology has also been developed for Business Transformation and implementation of Business Transformation will continue to be closely and frequently monitored by the Executive and Scrutiny.

4	The Council is currently benchmarked as an ‘achieving’ authority within the Equality Framework for Local Government. However, the authority faces continued challenges in its efforts to develop joined-up strategies around community cohesion, integration, resilience, tension monitoring, extremism and community engagement.	In preparation for the Peer Challenge for the ‘excellent’ level Directorates will be undertaking self assessments and reviews against the 34 indicators and 5 performance areas contained within the Framework. The ongoing development and review of corporate and Directorate equality objectives and activities will support the Council’s compliance with the newly introduced Equality Act and Public Sector Equality Duty. At a strategic level all Directorate Business Plans are screened for equality compliance using the corporate impact assessment process. The structures are in place to support the various platforms of activities identified.
5	Pay and grading is now complete for all Birmingham City Council employees and those employed directly by schools. Consultation is now taking place with schools and other key stakeholders about the introduction of pay progression for support staff in schools. These discussions are now quite advanced and the scheme should be introduced on the 1st September 2011. Schools are managing their pay and grading appeals within their governance arrangements. However there is a residue of City Council pay and grading appeals, these are mainly 'second stage' , where the employees have no ongoing loss but will be dealt with in conjunction with the continued urgent service demands to value jobs which arise through the numerous service designs across the City Council. There have been legal challenges to the new contracts of employment. These claims are subject to another tribunal process which is scheduled to take place in January 2012. The Council will take necessary steps to conclude these claims advantageously if the opportunity arises.	The City Council successfully defended over 1000 unfair dismissal cases as a result of pay and grading including an award for costs in their favour in 2011, and prior to that 4 protective awards presented by the trades unions. The consultation with schools in relation to pay progression has taken place in conjunction with legal services to ensure the scheme meets both the schools needs and does not create a potential equal pay risk.

6	In terms of equal pay, the Rated as Equivalent (RAE) claims which were the 'bulk' of the claims against the City Council, have in the main been concluded, those outstanding are claims from employees represented by solicitors However discussions have been concluded to resolve these claims, following an unsuccessful Employment Tribunal case. Equal value claims are still subject to case law developments and the City Council continues to defend such cases but is actively considering the possibility of concluding these claims at a financial advantage and exploratory talks have commenced with the solicitors involved	The RAE claims will be resolved shortly and the equal value claims remain under regular review by the Equal Pay Team which is made of up HR and Legal Services. The City Council remains vigilant in relation to equal pay risks by undertaking equal pay audits, ensuring terms and conditions are applied consistently, and reviewing employment contracts/status as appropriate.
7	Safeguarding remains a priority. The possibility of changes to organisational structures, as a consequence of changing national policy, may distract partners from the immediate requirements to improve the safeguarding of children and young people. This would include changes to NHS structures, GP commissioning, public health, police and local authority functions and resources, the role of schools and their relationship with the wider children’s services system.	The Future Operating Model will seek to put in place appropriate arrangements to address inadequacies and improve safeguarding across the City Council and partners. The Council will carefully manage the tension between improving service quality and standards while implementing transformational programmes. That will include ensuring all transformational programmes are focussed on improving safeguarding.
8	The Council is in the final stages of implementing its remaining transformational change programmes and embedding those delivered earlier. The current challenging circumstances have required further significant reviews of organisational structures delivery models that have included workforce reductions and compulsory redundancies. In addition in order to address financial pressures and equal pay risks the Council is currently implementing the Birmingham Contract. Collectively these organisational changes have impacted on the morale of the workforce , negatively affected employee relations and increased the potential for industrial action.	The Council has put in place a package of measures to support employees and managers going through change processes. It is also having a continuing dialogue with the relevant trades unions and is striving to maintain positive employee relations. Measures include: • Increase support for managers designing and implementing the organisational change. • Bespoke training and supporting materials for managing undertaking redundancy dismissals and Birmingham Contract changes • Targeted manager’s engagement program delivered through the manager’s network framework • Employee consultation and engagement regarding key proposed changes such as restructures and implementation of the Birmingham Contract. Including road shows, employee surveys, team consultation events, world cafes, individual consultation meetings

		• Targeted employee engagement and communications plan for the implementation of the Birmingham Contract. • Continued programme of formal consultation and informal discussions with trades union representatives. Both local representatives and regional as appropriate. • Business Continuity plans in place in the event of industrial action. • Process for engaging with the trades unions in the event of industrial action to seek to agree exemptions in respect of life and limb services.

5.2 These matters are monitored through the Corporate Risk Register, Corporate Management Team and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement. We are satisfied that these steps will address any need for improvements and we will monitor their implementation and operation as part of our next annual review.

Signed ……………………………… Signed …………………………..

Stephen Hughes
Chief Executive
(& Head of Paid Service)

Councillor Mike Whitby
Leader of the Council

Signed ……………………………… Signed …………………………..

Jon Warlow
Director of Finance
(& Section 151 Officer)

Mirza Ahmad
Corporate Director of
Governance (& Monitoring Officer)

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Council's Chief Financial Officer is the Director of Finance. He is responsible for the preparation of the Council's Statement of Accounts. In preparing the statement, he has:

- selected suitable accounting policies and applied them consistently.

- made judgments and estimates that were reasonable and prudent.

- complied with the Code of Practice on Local Authority Accounting.

- applied the accounting concept of a 'going concern' by assuming that the Authority's services will continue to operate for the foreseeable future.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date.

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011, with the exception of some known specific items detailed in Appendix 1.

. . . .

Jon Warlow, Director of Finance
6/30/2011

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2009	**21,117**	**182,654**	**3,351**	**0**	**57,639**	**0**	**49,521**	**314,282**	**2,181,273**	**2,495,555**
<u>Movement in reserves during 2009/10</u>										
Surplus or (deficit) on the provision of services	(457,542)		16,165					**(441,377)**		**(441,377)**
Other Comprehensive Income and Expenditure									(399,779)	**(399,779)**
Total Comprehensive Income and Expenditure	**(457,542)**	**0**	**16,165**	**0**	**0**	**0**	**0**	**(441,377)**	**(399,779)**	**(841,156)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	397,626		(17,925)		7,881	0	2,567	**390,148**	(390,148)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(59,917)**	**0**	**(1,760)**	**0**	**7,881**	**0**	**2,567**	**(51,229)**	**(789,927)**	**(841,156)**
Transfers to/from Earmarked Reserves (Note 8)	50,222	(50,222)	0	0				**0**		**0**
Increase/(Decrease) in 2009/10	**(9,695)**	**(50,222)**	**(1,760)**	**0**	**7,881**	**0**	**2,567**	**(51,229)**	**(789,927)**	**(841,156)**
Balance at 31 March 2010 carried forward	**11,422**	**132,432**	**1,591**	**0**	**65,521**	**0**	**52,088**	**263,053**	**1,391,345**	**1,654,399**
<u>Movement in Reserves during 2010/11</u>										
Surplus or (deficit) on provision of services	43,637		(17,289)					**26,348**		**26,348**
Other Comprehensive Income and Expenditure									145,695	**145,695**
Total Comprehensive Income and Expenditure	**43,637**	**0**	**(17,289)**	**0**	**0**	**0**	**0**	**26,348**	**145,695**	**172,043**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(24,445)		21,914		(6,388)	1,000	(13,755)	**(21,673)**	21,673	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**19,191**	**0**	**4,625**	**0**	**(6,388)**	**1,000**	**(13,755)**	**4,675**	**167,368**	**172,043**
Transfers to/from Earmarked Reserves (Note 8)	1,675	(1,675)	0	0				**0**	0	**0**
Increase/(Decrease) in 2010/11	**20,866**	**(1,675)**	**4,625**	**0**	**(6,388)**	**1,000**	**(13,755)**	**4,675**	**167,368**	**172,043**
Balance at 31 March 2011 carried forward	**32,289**	**130,757**	**6,216**	**0**	**59,133**	**1,000**	**38,333**	**267,728**	**1,558,713**	**1,826,441**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10					2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
130,091	(114,932)	15,159	Central services to the public		127,351	(112,637)	14,714
469,544	(166,104)	303,440	Cultural, environmental, regulatory and planning services		389,006	(141,798)	247,208
1,782,886	(1,206,224)	576,662	Education and children's services		1,687,300	(1,285,257)	402,043
148,114	(56,193)	91,921	Highways and transport services		173,098	(33,229)	139,869
180,554	(240,015)	(59,461)	Local authority housing (HRA)		220,784	(240,807)	(20,023)
589,570	(522,980)	66,590	Other housing services		630,842	(569,856)	60,986
485,675	(125,045)	360,630	Adult social care		434,069	(113,525)	320,544
104,603	(45,115)	59,489	Corporate and democratic core		167,757	(27,971)	139,786
6,466	2,650	9,117	Non distributed costs		(244,667)	2,921	(241,746)
3,897,504	**(2,473,958)**	**1,423,546**	**Cost Of Services**		**3,585,540**	**(2,522,159)**	**1,063,381**
86,722	0	86,722	Other Operating Expenditure	9	135,234	0	135,234
404,162	(210,174)	193,988	Financing and Investment Income and Expenditure	10	347,800	(184,436)	163,364
0	(1,262,879)	(1,262,879)	Taxation and Non-Specific Grant Income	11	0	(1,388,327)	(1,388,327)
		441,377	**(Surplus) or Deficit on Provision of Services**				**(26,348)**
		(140,400)	(Surplus) or deficit on revaluation of non current assets				(78,379)
		0	(Surplus) or deficit on revaluation of available for sale financial assets				0
		540,179	Actuarial (gains) / losses on pension assets / liabilities				(67,316)
		399,779	**Other Comprehensive (Income) and Expenditure**				**(145,695)**
		841,156	**Total Comprehensive (Income) and Expenditure**				**(172,043)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009	31 March 2010		Note	31 March 2011
£000	**£000**			**£000**
5,887,146	5,984,820	Property, Plant & Equipment	12	6,236,878
17,496	18,396	Intangible Assets	13	13,811
0	0	Assets Held for Sale	21	0
365,189	319,984	Long Term Investments	15	308,569
70,279	68,396	Long Term Debtors	17	77,834
#REF!	**#REF!**	**Total Long Term Assets**		**#REF!**
173,517	89,809	Short Term Investments	15	184,118
32,100	12,690	Assets Held for Sale	21	5,505
3,160	2,312	Inventories	18	1,454
288,411	298,949	Short Term Debtors	19	267,031
71,829	68,416	Cash and Cash Equivalents	20	88,201
569,017	**472,176**	**Total Current Assets**		**546,309**
(72,138)	(63,659)	Cash and Cash Equivalents	20	(71,538)
(316,326)	(177,876)	Short Term Borrowing	15	(410,583)
(465,377)	(514,563)	Short Term Creditors	22	(507,882)
(13,500)	(177,209)	Provisions	23	(308,742)
(867,341)	**(933,307)**	**Total Current Liabilities**		**(1,298,745)**
0	0	Long Term Creditors	15	0
(9,600)	(7,000)	Provisions	23	(10,140)
(2,246,897)	(2,396,390)	Long Term Borrowing	15	(2,392,763)
(220,793)	(213,375)	Other Long Term Liabilities	15	(249,304)
(1,068,942)	(1,659,302)	Net liability on defined benefit pension scheme	40	(1,406,007)
0	0	Capital Grants Receipts in Advance	35	0
(3,546,232)	**(4,276,067)**	**Total Long Term Liabilities**		**(4,058,214)**
#REF!	**#REF!**	**Net Assets**		**#REF!**
314,282	263,053	Usable Reserves	24	267,728
2,181,273	1,391,345	Unusable Reserves	25	1,558,713
2,495,555	**1,654,399**	**Total Reserves**		**1,826,441**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10 £000		Note	2010/11 £000
441,377	Net (surplus) or deficit on the provision of services		(26,348)
(443,263)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(224,587)
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(297)
(1,885)	Net cash flows from Operating Activities	26	(251,232)
(91,541)	Investing Activities	27	(445,589)
(9,158)	Financing Activities	28	3,056
(102,584)	Net (increase) or decrease in cash and cash equivalents		**(693,765)**
(309)	Cash and cash equivalents at the beginning of the reporting period		(218,239)
(102,893)	**Cash and cash equivalents at the end of the reporting period**	20	**(912,004)**

Note 1
Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepare in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categorised non-current assets and financial instruments. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (ie brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and if applicable is adjusted for subsequent depreciation or impairment.

ii. Accruals of Income and Expenditure

Service activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can reliably measure the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet, for example fuel and transport parts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Council has adopted a de-minimis level for accruals of £5,000. Debtors and Creditors below this level are not included in the accounting statements. This is intended to improve the efficiency of the final accounts process in order that earlier closedown deadlines can be achieved.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Any deposits with financial institutions repayable without penalty on notice of more than 24 hours are considered to be investments, not cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

The introduction of IFRS principles to Code of Practice on Local Authority in the United Kingdom for 2010/11 has required a number of amendments to Accounting Policies and resulted in a number of prior period adjustments. These are explained in more detail in Note 43 to the accounts.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled with 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that annual leave benefits are charged to revenue in the financial year in which the annual leave absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Cost line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pension in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pension Scheme, administered by the West Midlands Pension Fund offices at Wolverhampton City Council
- The Teachers' Pension Scheme administered on behalf of the Department for Education (DfE)

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the Teachers' Pension Scheme mean liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

<u>The Local Government Pension Scheme</u>

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Midlands Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on AA rated corporate bond yields.
- The assets of West Midlands Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liability or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the year of the of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those material events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are bases on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the instrument to the amount at which it was originally organised.

For most of the borrowings the Authority has, this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For most of the borrowings the Authority has, this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, the Birmingham City Council 2030 bonds, issued in exchange for NEC loan stock in 2005, are carried at a higher amortised cost than the outstanding principal and interest is charged at a lower effective rate of interest than the rate payable to bondholders.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from and added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was repayable or discount received when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based in the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Authority has made, this means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lowered amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require the impact of soft loans on the general Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are typically recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The Council has a small number of investments in assets, but a fair value cannot be measured reliably for the assets. Instead, the instrument is carried at cost (less any impairment losses.

<u>Instruments Entered Into Before 1 April 2006</u>

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are more likely than not to be satisfied in the future.

Monies advanced as grants and contributions for which conditions are unlikely to be satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied or expected to be satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account as they are applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive and Expenditure Statement.

Where expenditure on intangible assets qualified as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Significant aspects of the Council's Business Transformation Programme relate to the acquisition and implementation of software licences. The Council's policy is to capitalise all costs which are related to the acquisition of the intangible assets and the transformation of core services to provide greater efficiency and productivity. Those elements relating to the direct costs of software are taken to the Balance Sheet as Intangible Assets. Other costs which are deemed to be eligible to be treated as capital expenditure are treated as Revenue Expenditure Funded from Capital Under Statute.

xii. Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xiii. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the latest price. This valuation method does not comply with 'IAS 2 Inventories' which requires stocks to be valued at the lower of cost or net realisable value. However the effect of this is not considered material to the accounts. For trading activities the amount recognised in the appropriate revenue accounts for contract work in progress, is the payments received and receivable, less related costs. The amount at which contract work in progress is included in the balance sheet is cost plus any attributable profit, less any foreseeable losses.

xiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets it controls and the liabilities it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and the expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Authority as Lessee

<u>Finance Leases</u>

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, an amount representing the Authority's net investment in the lease is recognised in the Balance Sheet. Any gain or loss is recognised in the Comprehensive Income and Expenditure Statement. The gain or loss credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to impact the General Fund Balance. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- finance income.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on the accruals basis, provided it is probable the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Significant aspects of the Council's Business Transformation Programme relate to the acquisition of Property, Plant and Equipment. The Council's policy is to capitalise all costs which are related to the acquisition of such assets and the transformation of core services to provide greater efficiency and productivity. Those elements relating to the direct costs of property, plant and equipment are taken to the Balance Sheet. Other costs which are deemed to be eligible to be treated as capital expenditure are treated as Revenue Expenditure Funded from Capital Under Statute.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are measured separately.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible difference are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Assets without a determinable finite useful life, and assets that are not yet available for use, are not depreciated.

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over their useful lives

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Fixed assets existing at 1 April 2010 are only componentised when they become subject to revaluation, and only where their cost value exceeds £5m.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. On transfer of an asset to Held for Sale any Revaluation Reserve relating to the asset is transferred to the Capital Adjustment Account.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When as asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet and the gain or loss on disposal is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Gains and losses on disposal of assets is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

xviii. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services procured during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

xix. Investment Properties

Whilst discharging its role the authority works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The authority does not have a policy for holding property, (land or building, or part of a building, or both), which at inception was acquired or constructed specifically with the sole purpose of generating rental income or capital appreciation or both. As a result the authority holds no property assets that fall to be classified under International Financial Reporting Standards as 'Investment Properties'.

The authority is continuing to develop a 'Best Use of Assets' plan and will do this by categorising assets and assigning a management plan relevant to that category. In the future this may result in movements between property asset classifications, including Investment Properties.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Provision for Back Pay Arising from Equal Pay Claims

The Council charges liabilities for equal pay settlements to the Consolidated Income and Expenditure Statement (CIES) when these are covered by capitalisation directions or provisions

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xxi. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Contributions from Developers, paid under section 106 of the Town and Country Planning Acts 1990 are shown on the Balance Sheet as Capital Grants Receipts in Advance. Where these monies are invested externally they are shown under short term investments.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv Business Improvement District

In accordance with the provisions of the Business Improvement District (BID) Regulations 2004 a ballot of local businesses within six areas, namely Broad Street, the city centre's principal retail area, Erdington Town Centre and King's Heath Town Centre, Colemore and Southside has resulted in the creation of six distinct Business Improvement Districts. Business ratepayers in these areas pay a levy in addition to the National Non-Domestic Rate to fund a range of specified additional services which are provided by specific companies set up for the purpose.

In line with Code guidance the Council has determined that it acts as agent to the BID authorities and therefore neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

xxv Council Tax

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. The funds' key features relevant to the accounting for council tax in the core financial statements are:

• In its capacity as a billing authority the Council acts as an agent, collecting and distributing council tax on behalf of the major preceptors (West Midlands Fire and Rescue Authority and West Midlands Police Authority) and itself.

• While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus the Council's share of any surplus on the Collection Fund for the previous year or less the Council's share of any deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority in the United Kingdom 2010/2011.

The council tax income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
Since the collection of council tax is in substance an agency arrangement, the cash collected by the Council belongs proportionately to itself and the major preceptors. There will therefore be a debtor/creditor position between the Council and the major preceptors since the cash paid to the latter in the year will not be equal to their share of the total cash collected. If the net cash paid to the major preceptors in the year is more than their proportionate share of the cash collected the Council will recognise a debit adjustment for the amount overpaid. Conversely, if the cash paid to the major preceptors in the year is less than their proportionate share of the amount collected then the Council will recognise a credit adjustment for the amount underpaid.

The Council's Cash Flow Statement includes in 'Revenue Activities' cash flows only its own share of the council tax collected during the year, and the amount included for precepts paid excludes amounts paid to the major preceptors. The difference between the major preceptors' share of the cash collected and that paid to them as precepts and settlement of the previous year's surplus or deficit on the Collection Fund, is included as a net increase/decrease in other liquid resources.

xxvi National Non-Domestic Rates

The Council collects national non-domestic rates on an agency basis on behalf of the Government. The cost of collection allowance is the Council's income and appears in the Income and Expenditure Account. NNDR debtor and creditor balances and impairment allowances for doubtful debts are not assets and liabilities of the Council and therefore should not appear in the Council's Balance Sheet.

Cash collected from NNDR taxpayers, net of the cost of collection allowance, belongs to the Government, and any amounts yet to be paid to the government at the Balance Sheet date should appear on the Balance Sheet as a creditor. Similarly, if payments to the Government exceed the cash collected then the excess should appear in the Balance Sheet as a debtor.

NNDR collected by the Council is not a revenue activity of the Council and should not therefore appear in the Council's Cash Flow Statement, except for that part retained as the cost of collection allowance. Similarly cash paid to the Government in respect of NNDR should not appear in the Cash Flow Statement. However, costs added to NNDR in respect of recovery action shall be treated as the Council's income.

Note 2
Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires entities to disclose the expected impact of new standards that have been issued but not yet adopted.

Heritage Assets
In the 2011/12 financial statements, the Authority needs to fully adopt the requirements of FRS30 relating to the treatment of heritage assets held by the Authority. Although these requirements do not have to be met in the current year, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require a new class of asset, heritage assets, is disclosed separately on the face on the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge and/or culture. The Council has identified the following categories of heritage assets:

- Museums & Art Gallery Collections
- Public Art
- Library Collections/Archives
- Historic Buildings, Historic Environment and Scheduled Monuments
- Museums & Art Galleries
- Other Historic Buildings
- Parks & Gardens of Special Historic Interest
- Scheduled Monuments

<u>Buildings</u>
Not withstanding heritage attributes, all buildings other than those detailed below, are deemed to be used in the course of the Council's normal business and therefore classed as Property, Plant and Equipment for financial reporting purposes. They are held within the Council's asset register and shown within Non Current Assets on the Balance Sheet.

<u>Other assets</u>
It is anticipated that items such as artistic works, items of historical significance and other artefacts held by Birmingham City Council will be classed as heritage assets in the 2011/12 financial statements. These will be held at their insured values where available. It is unlikely that, due to reclassification, there will be any significant changes in valuations. It is expected that the vast majority of Birmingham's heritage assets will have indefinite useful lives due to their nature and therefore there will be very little impact on depreciation.

Work is ongoing to identify all assets that fall under FRS30 and ensure accounting for them is compliant with the accounting requirements.

Note 3
Critical Judgements in Applying Accounting Policies

Fixed assets - replacement components

On recognition of a replacement component, where the historic cost of the component is not readily determinable, management have estimated the historic cost of the old component by indexing the value of the new component using the Government published RPI figures. A prorate portion of both the depreciation and any applicable Revaluation Reserve is also derecognised.

Leases - classification

Leases are categorised between operating and finance lease according to management judgement, beginning with a rebuttable presumption that all land leases over 110 years are classified as finance leases and all buildings over 50 years are classified as finance leases.

Note 4
Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Areas to consider include:

Note 5
Material Items of Income and Expense

The following are the most significant individual items of income and expense contained within the 2010/11 accounts:

The total income from Council taxpayers in 2010/11 was £331.3m and £592m was received from Business ratepayers as disclosed in the Collection Fund;

Non ring-fenced government grants totalled £276.3m as disclosed in note 11;

Other material grants credited to services totalled £2,067.6m as disclosed in note 35;

The deficit on the pension fund was reduced significantly with credits to the Comprehensive Income and Expenditure Statement (CIES) being recognised in 2010/11. Total post employment benefit credited to the provision of services totalled £71.7m gain as disclosed in note 40. The actuarial gain charged to the CIES was £68.7m compared to a debit of £529.1m in prior year. The most significant reason for this gain is the move from measuring public pension sector liabilities in line with the consumer price index (CPI) rather than the retail price index (RPI). A significant proportion of this gain has been recognised in the Corporate and Democratic Core service within the CIES;

The Council received a £49m PFI grant to cover certain costs in relation to the Birmingham Highways Management and Maintenance PFI as disclosed in note 38.

Note 6
Event After the Balance Sheet Date

Note 7
Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable reserves					
2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Surplus or Deficit on the Provision of Surplus in the Comprehensive Income and Expenditure Statement:</u>						
Depreciation charges for Property, Plant and Equipment	124,232	0	0	0	0	(124,232)
Amortisation of intangible assets	5,625	0	0	0	0	(5,625)
Revaluation gains on Property, Plant and Equipment and intangible assets	0	0	0	0	0	0
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	0	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	(62,264)	0	0	0	0	62,264
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	79,356	0	0	0	0	(79,356)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	117,910	0	0	0	0	(117,910)
<u>Insertion of items not debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(103,069)	0	0	0	0	103,069
Capital expenditure charged against the General Fund and HRA balances	0	(5,271)	0	0	0	5,271
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(105,098)	0	0	0	(13,755)	118,853
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0

Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(45,297)	0	29,112	0	0	16,185
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(28,596)	0	0	28,596
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	7,629	0	(7,629)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	725	0	0	(725)
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	25,000	0	(25,000)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	26,000	0	(26,000)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11,440	0	0	0	0	(11,440)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	(73,857)	2,185	0	0	0	71,672
Employer's pensions contributions and direct payments to retirees payable in the year	(114,307)	0	0	0	0	114,307
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,061	0	0	0	0	(4,061)
Adjustment involving the Equal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	130,733	0	0	0	0	(130,733)

Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,540)	0	0	0	0	1,540
Total Adjustments	**(24,445)**	**21,914**	**(6,388)**	**1,000**	**(13,755)**	**21,673**

2009/10	Usable reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Surplus or Deficit on the Provision of Surplus in the Comprehensive Income and Expenditure Statement:						
Depreciation charges for Property, Plant and Equipment	125,541	0	0	0	0	(125,541)
Amortisation of intangible assets	5,100	0	0	0	0	(5,100)
Revaluation gains on Property, Plant and Equipment and intangible assets	0	0	0	0	0	0
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	189,900	0	0	0	0	(189,900)
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	(98,278)	0	0	0	2,567	95,711
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	221,818	0	0	0	0	(221,818)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15,258	3,995	0	0	0	(19,253)
Insertion of items not debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(93,441)	0	0	0	0	93,441
Capital expenditure charged against the General Fund and HRA balances	0	(54)	0	0	0	54
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0

Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24,673)	0	51,169	0	0	(26,496)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(39,767)	0	0	39,767
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5,929	0	(5,929)	0	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	2,408	0	0	(2,408)
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	(25,000)	0	25,000	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(25,000)	0	25,000
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8,231	0	0	0	0	(8,231)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	159,522	3,134	0	0	0	(162,656)
Employer's pensions contributions and direct payments to retirees payable in the year	(112,356)	0	0	0	0	112,356
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,197)	0	0	0	0	4,197
Adjustment involving the Equal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustment involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(729)	0	0	0	0	729

Total Adjustments	**397,626**	**(17,925)**	**7,881**	**0**	**2,567**	**(390,148)**

Note 8
Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
General Fund							
Sums set aside to finance capital expenditure	4.7	(4.2)	0	0.5	0	6.7	7.2
Reserves for budgets delegated to schools (a)	64.8	(0.2)	0	64.6	(9.5)	0	55.1
Treasury management & business continuity	47.4	(36.5)	0	10.9	(7.0)	0	3.9
Area Based Grant	26.6	0	4.8	31.4	(31.4)	0	0
Insurance reserve (b)	19.3	(9.3)	0	10.0	(0.4)	0	9.6
Grants and Contributions Received in Advance	0	0	0	0	0	37.7	37.7
Other	19.9	(4.8)	0	15.0	0	2.3	17.3
Total	182.7	(55.0)	4.8	132.4	(48.3)	46.7	130.7

Earmarked reserves are available to fund capital or revenue expenditure, following approval by the Cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve to the General Fund.

(a) The reserve in respect of budgets delegated to schools is a net figure held by schools and is an earmarked reserve that must be fully available for schools' use.

(b) The Council maintains an Insurance Reserve to assist in managing claims falling against negotiated policy excesses. The policy excesses, which change from time to time, are for the major risks (2010/11 policy year):

Fire & terrorism:	£2m per claim
Employer's liability:	£0.5m per claim
Public liability:	£0.15m per claim
Motor vehicle:	£0.15m per claim up to £1.5m in aggregate p.a.

Municipal Mutual Insurance Co Ltd (MMI), through which the Council had part of its fire insurance and a number of contingency covers, ceased writing new insurance business in 1992, and is currently using its available resources to meet outstanding claims. MMI may not fully know the full extent of its liability claims as it may take a number of years for them to arise, however the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company has entered into a scheme of arrangement with its creditors. Should the scheme be implemented, the Council and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1 October 1993. Claims settled since 1 October 1993 total £2.4m.

The Council also acts on behalf of the West Midlands District Councils in administering insurance claims arising from the former West Midlands County Council. Should the scheme be implemented, the Council will also be called upon to reimburse a proportion, along with the other West Midlands District Councils. Since 1 October 1993 claims settled total £0.8m

Note 9
Other Operating Expenditure

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure statement comprises the following:

2009/10		2010/11
£m		**£m**
0.1	Parish council precepts	0.1
53.9	Levy: Passenger Transport Authority	54.6
0.3	Levy: Environment Agency	0.3
5.9	Payments to the Government Housing Capital Receipts Pool	7.6
26.5	Gains/(losses) on the disposal of non current assets	72.6
86.7	**Total**	**135.2**

Note 10
Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure statement comprises the following:

2009/10				2010/11		
Gross expenditure	Income	Net		Gross expenditure	Income	Net
£m	**£m**	**£m**		**£m**	**£m**	**£m**
148.6	0	148.6	Interest payable and similar charges	135.0	0	135.0
85.6	0	85.6	Pensions interest cost and expected return on pensions assets	62.2	0	62.2
0	(20.9)	(20.9)	Interest receivable and similar income	0	(12.8)	(12.8)
0.0	0	0.0	Income and expenditure in relation to investment properties and changes in their fair value	0.0	0	0.0
169.9	(189.3)	(19.4)	(Surplus) / deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement	150.6	(171.7)	(21.1)
0	0	0	Other investment income and expenditure	0	0	0
404.2	**(210.2)**	**194.0**	**Total**	**347.8**	**(184.4)**	**163.4**

Further information on trading operations is provided in note 30.

Where trading accounts form an integral part of the total cost of a particular service, the income and expenditure has been consolidated on a gross basis into the cost of the service in the Service Expenditure Analysis of the Comprehensive Income and Expenditure Statement.

Note 11
Taxation and Non Specific Grant Income

Taxation and Non Specific Grant Income disclosed in the Comprehensive Income and Expenditure statement comprises the following:

2009/10		2010/11
£m		**£m**
(324.0)	Council tax income	(331.3)
(536.3)	Non domestic rates	(592.0)
(4.2)	Council's share of Collection Fund surplus	(4.1)
(236.8)	Non-ring fenced government grants	(276.3)
(161.6)	Capital grants and contributions	(184.6)

(1,262.9)	**Total**	**(1,388.3)**

Further information on government grants received is provided in note 37.

Note 12
Property, Plant and Equipment

Movements on Balances: 2010/11

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	*PFI / Service Concession assets Included in Property, Plant and Equipment £m*
Cost or Valuation									
At 1 April 2010	2,000.0	3,354.2	177.6	839.7	90.7	0	210.6	**6,672.7**	*399.1*
Additions	0	268.4	19.0	29.8	6.9	0	136.6	**460.7**	*54.3*
Donations	0	0	0	0	0	0	0	**0**	*0*
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	36.7	0	0	1.7	0	0	**38.4**	*0*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	*0*
Derecognition - Disposals	0	(83.6)	(0.1)	(0.3)	0	0	0	**(83.9)**	*0*
Derecognition - Other	0	(81.2)	0	0	0	0	0	**(81.2)**	*0*
Assets reclassified (to)/from Held for Sale	0	(5.5)	0	0	0	0	0	**(5.5)**	*0*
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**	*0*
At 31 March 2011	**2,000.0**	**3,489.0**	**196.5**	**869.2**	**99.3**	**0**	**347.2**	**7,001.1**	***453.4***
Accumulated Depreciation and Impairment									
At 1 April 2010	0	(213.8)	(69.5)	(404.5)	0	0	0	**(687.8)**	*(8.2)*
Depreciation charge	0	(86.5)	(2.9)	(34.8)	0	0	0	**(124.2)**	*(9.9)*
Depreciation written out to the Revaluation Reserve	0	40.0	0	0	0	0	0	**40.0**	*0*
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	*0*
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	*0*
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	*0*
Derecognition - Disposals	0	7.9	(0.0)	0	0	0	0	**7.8**	*0*
Derecognition - Other	0	0	0	0	0	0	0	**0**	*0*
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**	*0*
At 31 March 2011	**0**	**(252.4)**	**(72.5)**	**(439.4)**	**0**	**0**	**0**	**(764.3)**	***(18.1)***
Net Book Value									
At 31 March 2011	**2,000.0**	**3,236.5**	**124.0**	**429.8**	**99.3**	**0**	**347.2**	**6,236.9**	***435.3***

At 31 March 2010	**2,000.0**	**3,140.4**	**108.0**	**435.1**	**90.7**	**0**	**210.6**	**5,984.8**	***390.9***

Movements on Balances: 2009/10

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment	*PFI Assets Included in Property, Plant and Equipment*
	£m	£m	£m	£m	£m	£m	£m	£m	*£m*
Cost or Valuation									
At 1 April 2009	2,000.0	3,278.9	158.2	795.3	86.5	0	177.8	**6,496.5**	*442.2*
Additions	0	93.3	17.9	29.5	4.4	0	78.0	**223.1**	*1.2*
Donations	0	0	0	0	0	0	0	**0**	*0*
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	138.7	0	0	1.7	0	0	**140.4**	*0*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(189.9)	0	0	0	0	0	**(189.9)**	*(44.3)*
Derecognition - Disposals	0	0.0	0	0	0	0	0	**0.0**	*0*
Derecognition - Other	0	93.0	1.5	14.9	(1.9)	0	(45.2)	**62.3**	*0*
Assets reclassified (to)/from Held for Sale	0	(12.7)	0	0	0	0	0	**(12.7)**	*0*
Other movements in Cost or Valuation	0	(47.1)	0	0	0	0	0	**(47.1)**	*0*
At 31 March 2010	**2,000.0**	**3,354.2**	**177.6**	**839.7**	**90.7**	**0**	**210.6**	**6,672.7**	***399.1***
Accumulated Depreciation and Impairment									
At 1 April 2009	0	(180.5)	(53.2)	(375.7)	0	0	0	**(609.4)**	*0*
Depreciation charge	0	(80.4)	(16.3)	(28.8)	0	0	0	**(125.5)**	*(8.2)*
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	**0**	*0*
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	*0*
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	*0*
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	*0*
Derecognition - Disposals	0	0	0	0	0	0	0	**0**	*0*
Derecognition - Other	0	0	0	0	0	0	0	**0**	*0*
Other movements in Depreciation and Impairment	0	47.1	0	0	0	0	0	47.1	*0*
At 31 March 2010	**0**	**(213.8)**	**(69.5)**	**(404.5)**	**0**	**0**	**0**	**(687.8)**	***0***
Net Book Value									
At 31 March 2010	**2,000.0**	**3,140.4**	**108.0**	**435.1**	**90.7**	**0**	**210.6**	**5,984.8**	***399.1***
At 1 April 2009	**2,000.0**	**3,098.4**	**105.0**	**419.6**	**86.5**	**0**	**177.8**	**5,887.1**	***442.2***

Revaluations

Operational (other than Housing):
Approximately one fifth of the Council's property assets are valued each year. Peter Jones Member of the Royal Institution of Chartered Surveyors (MRICS), Assistant Director and other similarly qualified staff in Birmingham Property Services, Resources Directorate, carried out the valuations, and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The effective date of the current year's valuation is the 1 April 2010. Properties regarded as operational were valued on the basis of Existing Use Value. Where the asset is of a specialist nature, the method of valuation was Depreciated Replacement Cost. During the annual revaluation exercise material assets are componentised in line with the accounting policy. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Housing:
The entire housing stock was valued as at 1 April 2005 by Peter Jones MRICS, and similarly qualified staff in Birmingham Property Services, according to the Department of Communities and Local Government 'Guidance on Stock Valuation for Resource Accounting'. The valuation was on the basis of Existing Use Value for Social Housing using sample "Beacon Properties" and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

In 2010/11 the housing assets have been componentised in line with the revised guidance in that year, which also allows the full revaluation to be delayed by 1 year. This will be carried out for inclusion in the 2011/12 Financial Statements.

Infrastructure and Community Assets:
Infrastructure assets have been stated at the amount of outstanding debt as at 31 March 1994, when a new system of capital accounting was introduced, with adjustments for subsequent capital expenditure and depreciation. Community assets are valued at historic cost.

Intangible assets:
Intangible assets are shown at cost.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Council Dwellings – X years
- Buildings - 50 years
- Vehicles, Plant, Furniture & Equipment – 5 years to 40 years
- Infrastructure – 10 years to 40 years

<u>Capital commitments</u>

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £403.8m. Similar commitments at 31 March 2010 were £296.1m. The major commitments are:

	£m
Birmingham Gateway New St Station	214.1
Library of Birmingham	151.7
PFI lifecycle costs	57.2
Alexander Stadium - New Stand	8.4
Harborne Pool	7.1
Selly Oak New Rd	6.9
Myplace Lozells	4.7
Eastside Academy	3.5
WFTF rationalisation of buildings and Agile working	2.0
Millennium Point Multi Storey Car Park	1.6
St Edwards	1.3
Mercury Emissions - Crematoria	1.2
NEC Refinancing - Visitors Improvement Prog.	1.2

<u>Capitalisation of borrowing costs</u>

The Council has adopted an accounting policy of capitalising borrowing costs in relation to qualifying assets. In 2010/11 the amount of borrowing costs capitalised during the period was £4.24m with an average interest rate of 5.6%. In 2009/10 £3.16m was capitalised at an average rate of 5.77%.

For 2010/11, interest capitalised by scheme was as follows:

	£m
Library of Birmingham	0.8
Woodcock Street	0.8
New Street Station	2.7

Note 13
Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include software elements related to the Council's Business Transformation programme.

The carrying amount of intangible assets is amortised on a straight-line basis over a five year period, which is deemed to be the period that the software is expected to be of use to the Authority.

The movement on intangible asset balances during the year is as follows:

	2010/11			2009/10		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at start of year:						
Gross carrying amounts	0	26.7	26.7	0	20.7	20.7
Accumulated amortisation	0	(8.3)	(8.3)	0	(3.2)	(3.2)
Net carrying amount at start of year	0	18.4	18.4	0	17.5	17.5
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	1.0	1.0	0	5.5	5.5
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(5.6)	(5.6)	0	(5.1)	(5.1)
Amortisation written out on revaluation	0	0	0	0	0	0
Amortisation written out for disposals/transfers	0	0	0	0	0	0
Other changes	0	0	0	0	0.5	0.5
Net carrying amount at end of year	**0**	**13.8**	**13.8**	**0**	**18.4**	**18.4**
Comprising:						
Gross carrying amounts	0	27.7	27.7	0	26.7	26.7
Accumulated amortisation	0	(13.9)	(13.9)	0	(8.3)	(8.3)

0	**13.8**	**13.8**	**0**	**18.4**	**18.4**

Note 14
Capital Expenditure and Capital Financing

The Council's capital expenditure on an accruals basis, analysed between types of asset, is summarised below. This also includes revenue expenditure funded from capital under statute.

Capital expenditure			Capital financing		
Type of asset	2010/11	2009/10	Source	2010/11	2009/10
	£m	**£m**		**£m**	**£m**
Council dwellings	112.9	122.9	Borrowing	10.8	103.2
Other land and buildings	94.0	147.6	Prudential borrowing	241.6	331.3
Vehicles and equipment	18.9	17.9	Capital receipts	28.6	38.1
Infrastructure	29.8	29.5	Grants and contributions	250.2	222.0
Community assets	6.9	4.4	Revenue	5.3	0.1
Investment properties	0	0			
Assets under construction	136.6	78.0			
Intangible assets	1.0	5.5			
Total capital expenditure on fixed assets	**400.1**	**405.8**			
Gross revenue expenditure funded from capital under statute	123.4	285.2			
Long Term Loans	12.8	0			
Acquisition of share capital	0.1	3.7			
Total expenditure	**536.5**	**694.7**	**Total**	**536.5**	**694.7**

The Capital Financing Requirement at the 31st March 2011 is £3,032.8m (31st March 2010 £2,881.5m)

Note 15
Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term			Current		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Investments						
Loans and receivables	273.7	285.3	331.5	184.1	89.8	173.5
Available-for-sale financial assets	0	0	0	0	0	0
Unquoted equity investment at cost	34.9	34.7	33.7	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0	0	0
Total	**308.6**	**320.0**	**365.2**	**184.1**	**89.8**	**173.5**
Investments that are not financial instruments	0	0	0	0	0	0
Total investments	**308.6**	**320.0**	**365.2**	**184.1**	**89.8**	**173.5**
Debtors						
Loans and receivables	48.7	38.5	37.9	2.1	1.3	0
Financial assets carried at contract amounts	0	0	0	139.6	157.7	177.9
Total	**48.7**	**38.5**	**37.9**	**141.7**	**159.0**	**177.9**
Debtors that are not financial instruments	29.1	29.9	32.4	125.4	139.9	110.5
Total debtors	**77.8**	**68.4**	**70.3**	**267.1**	**298.9**	**288.4**
Cash						
Loans and receivables	0	0	0	88.2	68.4	71.8
Total cash: asset				88.2	68.4	71.8
Financial liabilities at amortised cost	0	0	0	(71.5)	(63.7)	(72.2)
Total cash: liability	**0**	**0**	**0**	(71.5)	(63.7)	(72.2)
Borrowings						
Financial liabilities at amortised cost	(2,392.8)	(2,396.4)	(2,246.9)	(410.6)	(177.9)	(316.3)
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Total	(2,392.8)	(2,396.4)	(2,246.9)	(410.6)	(177.9)	(316.3)
Borrowings that are not financial instruments	0	0	0	0	0	0
Total borrowings	**(2,392.8)**	**(2,396.4)**	**(2,246.9)**	**(410.6)**	**(177.9)**	**(316.3)**
Other Long Term Liabilities						
PFI and finance lease liabilities	(173.4)	(135.5)	(140.5)	0	0	0
Total	(173.4)	(135.5)	(140.5)	0	0	0
Other long term liabilities.	(75.9)	(77.9)	(80.3)	0	0	0
Total long term liabilities	**(249.3)**	**(213.4)**	**(220.8)**	**0**	**0**	**0**
Creditors						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	(340.5)	(361.1)	(319.7)
Total	0	0	0	(340.5)	(361.1)	(319.7)
Creditors that are not financial instruments	0	0	0	(167.3)	(153.5)	(145.7)

Total creditors	**0**	**0**	**0**	**(507.8)**	**(514.6)**	**(465.4)**

Income, Expense, Gains and Losses

	Financial liabilities		Financial assets						
	Measured at amortised cost		Loans and receivables		Available for sale		Fair value through profit and loss		To
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest expense	123.0	135.6			0	0			**123.0**
Losses on derecognition	0.1	0	0	0	0	0	0	0	**0.1**
Reductions in fair value							0	0	**0**
Impairment losses			0	0					**0**
Loss on recognition.	3.7	0.7	0	0	0	0	0	0	**3.7**
Total expense in Surplus or Deficit on the Provision of Services	**126.8**	**136.3**	**0**	**0**	**0**	**0**	**0**	**0**	**126.8**
Interest income			(15.6)	(20.4)					**(15.6)**
Interest income accrued on impaired financial assets			0	0					**0**
Increases in fair value							0	0	**0**
Gains on derecognition	0	0	0	0	0	0	0	0	**0**
Fee income	0	0	0	0	0	0	0	0	**0**
Total income in Surplus or Deficit on the Provision of Services	**0**	**0**	**(15.6)**	**(20.4)**	**0**	**0**	**0**	**0**	**(15.6)**
Gains on revaluation					0	0			0
Losses on revaluation					0	0			0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment					0	0			0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net gain / (loss) for the year	**126.8**	**136.3**	**(15.6)**	**(20.4)**	**0**	**0**	**0**	**0**	**111.2**

The fair values are calculated as follows:

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities	(3,033.0)	(3,291.5)	(2,858.8)	(3,044.3)	(2,811.5)	(3,182.1)
Long-term creditors	0	0	0	0	0	0

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includ number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Shee This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment interest to lenders below current market rates.

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Loans and receivables	687.7	687.7	602.5	602.5	754.7	754.7
Long-term debtors	48.7	43.6	38.5	31.4	37.9	32.2

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments in number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attribut the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sl their fair value. These fair values are based on public price quotations where there is an active market for the ins

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

tal
2009/10
£m
135.6
0
0
0
0.7
136.3
(20.4)
0
0
0
0
(20.4)
0
0
0
0
115.9

es a
t date.
to pay

cludes a
the
table to

heet at
strument.

Note 16

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of risks relating to its financial instruments, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council may not have funds available to meet its payment commitments;
- market risk – the possibility of financial loss due to changes in interest rates and market prices.

These risks are managed by a central Treasury Management Team in accordance with policies and approvals set by the Council in its annual Budget Report, Treasury Management Strategy, and Treasury Management Practices in particular. The Council complies with CIPFA's Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities, both of which regulate the use of financial instruments and establish a treasury risk management framework. Overall these procedures require the Council to manage risk in the following ways:

a. by formally adopting the requirements of the Code of Practice
b. by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing, its maximum exposure to fixed and variable rates, and the maturity structure of its debt
c. by approving an investment strategy for the forthcoming year in setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

Credit risk

The Council makes investments for treasury management purposes when the Council has temporarily surplus cash due to positive cashflow or borrowing activity. These investments are subject to credit rating and diversification safeguards as follows:

Investments:	**Lending limit**	**FITCH individual and support rating**	**FITCH short term rating**
Banks and Building Societies	£25m	A1, A2, A/B1	F1
Banks and Building Societies	£20m	A/B2, B1	F1
Banks and Building Societies	£15m	A3, B2, B3, B/C1	F1
Money Market Funds	£40m	The highest possible rating only	
Local Authorities	£25m	N/A	N/A
UK Government	None	N/A	N/A

The Council also uses information from a variety of other sources in reaching a view about the suitability of particular investments.

The Council also makes a variety of investments in support of its service objectives. These investments are not subject to the above credit quality requirements, but are individually appraised and approved in relation to their support for service outcomes as well as their financial consequences and risks.

Liquidity risk

The Council has ready access to loans from the Public Works Loans Board (PWLB) in accordance with the PWLB circulars currently in force, and there is no significant risk that it will be unable to raise finance to meet its commitments. The maturity analysis of financial liabilities is as follows:

31 March 2010		31 March 2011
£m		**£m**
(606.1)	Less than 1 year	(749.4)
(7.3)	Between 1 and 2 years	(34.7)
(257.4)	Between 2 and 5 years	(289.3)
(613.0)	Between 5 and 20 years	(845.9)
(1,011.1)	Between 20 and 40 years	(607.9)
(576.7)	Over 40 years	(546.7)
(3,071.6)		**(3,073.9)**

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to significant risk in relation to interest rate movements on its borrowing and investments. These risks are managed in accordance with the Council's Treasury Management Strategy, including the setting and monitoring of risk limits on the level of variable rate instruments and on the amount of borrowing maturing in future years.

Sensitivity to 1% increase in interest rates as at 31 March 2011:

	£m
Increase in interest payable on variable rate borrowings	0.1
Increase in interest receivable on variable rate investments	(1.8)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(1.7)
Share of overall impact debited to the HRA	(0.5)
Decrease in fair value of fixed rate investment assets	2.1
Impact on Other Comprehensive Income and Expenditure	2.1
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	266.6

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council's holdings of shares are summarised in Note 36; these are all unquoted shares held primarily to support service objectives rather than as financial investments. The financial value of these shares will vary according to general market conditions and the particular circumstances of the share issuers. Active prices for these investments are not available.

Foreign exchange risk

The Council has no material direct foreign currency exposures in its financial instruments.

Note 17
Long-Term Debtors

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
35.3	35.6	Trade debtors	43.9
1.5	1.7	Employee loans	1.6
0.5	0.4	Mortgages: former council house tenants	0.4
33.0	30.7	Other debtors	31.9
70.3	**68.4**	**Total**	**77.8**

Note 18
Inventories

	Consumable Stores		**Maintenance Materials**		**Property Acquired or Constructed for Sale**		**Total**	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance outstanding at start of year	2.3	2.3	0.0	0.0	0	0.8	2.3	3.2
Purchases	17.5	19.5	0.3	0.3	0	0	17.8	19.8
Recognised as an expense in the year	(18.4)	(19.5)	(0.3)	(0.3)	0	(0.8)	(18.7)	(20.6)
Written off balances	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at year-end	**1.4**	**2.3**	**0.0**	**0.0**	**0**	**0**	**1.5**	**2.3**

Note 19
Short-Term Debtors

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
86.6	115.1	Central government bodies	97.7
10.2	7.3	Other local authorities	5.8
2.2	7.3	NHS bodies	1.2
9.0	14.3	Public corporations and trading funds	8.6
180.4	154.9	Other entities and individuals	153.7
288.4	**298.9**	**Total**	**267.0**

Note 20
Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
1.2	1.8	Cash held by the Council	1.1
(1.5)	3.0	Bank current accounts	15.6
(0.3)	**4.8**	**Total**	**16.7**

Note 21
Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m
Balance outstanding at start of year	**12.7**	32.1	**0**	0
Assets newly classified as held for sale:				
Property, plant and equipment	5.5	12.7	0	0
Intangible assets	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, plant and equipment	0	0	0	0
Intangible assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(12.7)	(32.1)	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	**5.5**	**12.7**	**0**	**0**

Note 22
Creditors

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
(32.5)	(152.0)	Central government bodies	(83.3)
(2.8)	(7.4)	Other local authorities	(7.5)
(2.1)	(2.1)	NHS bodies	(4.1)
(66.2)	(59.0)	Public corporations and trading funds	(48.0)
(361.8)	(294.1)	Other entities and individuals	(364.9)
(465.4)	**(514.6)**	**Total**	**(507.9)**

Note 23
Provisions

	Current				Non-current			
	NEC Limited Loan Debt	Equal Pay	Other Provisions	**Total**	NEC Limited Loan Debt	Equal Pay	Other Provisions	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 April 2010	0.3	168.1	8.8	**177.2**	3.8	0	3.2	**7.0**
Additional provisions made in 2010/11	0	134.3	0	**134.3**	0.4	0	3.9	**4.3**
Amounts used in 2010/11	0	(1.1)	(1.7)	**(2.8)**	(0.3)	0	(0.9)	**(1.2)**
Unused amounts reversed in 2010/11	0	0	0	**0**	0	0	0	**0**
Unwinding of discounting in 2010/11	0	0	0	**0**	0	0	0	**0**
Balance at 31 March 2011	**0.3**	**301.3**	**7.1**	**308.7**	**3.9**	**0**	**6.2**	**10.1**
Balance at 1 April 2009	0.3	0	13.2	13.5	9.6	0	0	9.6

<u>The National Exhibition Centre Limited Loan Debt</u>

On 21 May 1997, The National Exhibition Centre Developments PLC issued £73m guaranteed unsecured loan stock 2027. The loan stock is guaranteed by Birmingham City Council. The City Council received a guarantee fee of £7.932m in 1997 and this is being amortised over the life of the guarantee (1997 to 2027).

<u>Equal Pay</u>

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. Payments are envisaged in future years. The Council is currently facing litigation in respect of claims under the Trade Union and Labour Relations Consolidation Act 1992, Section 188-190 and the Employment Rights Act 1996 relating to the possibility of unfair dismissal arising from the implementation of the pay and grading review.

Note 24
Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

Note 25
Unusable Reserves

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
313.9	454.3	Revaluation Reserve	532.7
0	0	Available for Sale Financial Instruments Reserve	0
2,985.4	2,639.5	Capital Adjustment Account	2,610.7
(34.8)	(31.4)	Financial Instruments Adjustment Account	(32.9)
(1,068.9)	(1,659.3)	Pensions Reserve	(1,406.0)
32.6	30.2	Deferred Capital Receipts Reserve	29.5
(0.0)	4.2	Collection Fund Adjustment Account	0.1
0	0	Equal Pay Back Pay Account	(130.7)
(46.9)	(46.1)	Accumulated Absences Account	(44.6)
2,181.3	**1,391.3**	**Total Unusable Reserves**	**1,558.7**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10		2010/11	
£m		**£m**	
313.9	**Balance at 1 April**		**454.3**
140.4	Upward revaluation of assets	78.4	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
140.4	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		78.4
0	Difference between fair value depreciation and historical cost depreciation	0	
0	Accumulated gains on assets sold or scrapped	0	
0	Amount written off to the Capital Adjustment Account		0
454.3	**Balance at 31 March**		**532.7**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10		2010/11	
£m		**£m**	
0	**Balance at 1 April**		**0**
0	Upward revaluation of investments	0	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	
0			0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		0
0	**Balance at 31 March**		**0**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10		2010/11	
£m		£m	
2,985.4	**Balance at 1 April**		**2,639.5**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(125.5)	Charges for depreciation and impairment of non current assets	(124.2)	
(189.9)	Revaluation losses on Property, Plant and Equipment	0	
(5.1)	Amortisation and impairment of intangible assets	(5.6)	
(286.4)	Revenue expenditure funded from capital under statute	(202.5)	
(49.6)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(88.8)	
(656.5)			(421.1)
0	Adjusting amounts written out of the Revaluation Reserve		0
(656.5)	Net written out amount of the cost of non current assets consumed in the year		(421.1)
	Capital financing applied in the year:		
84.1	Use of the Capital Receipts Reserve to finance new capital expenditure	59.6	
25.0	Use of the Major Repairs Reserve to finance new capital expenditure	(26.0)	
119.5	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	260.3	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
93.5	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	103.1	
0.1	Capital expenditure charged against the General Fund and HRA balances	5.3	
322.2			402.3
(11.5)	Amortisation of Investments debited to the Comprehensive Income and Expenditure Statement		(9.9)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
2,639.5	**Balance at 31 March**		**2,610.7**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premia and discounts paid on the early redemption of loans and the recognised losses on loans advanced at less than a commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, these values are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. For premia and discounts, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 45 years.

2009/10		2010/11	
£m		**£m**	
(34.8)	**Balance at 1 April**		**(31.4)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(3.8)	
3.4	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	2.3	
3.4	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(1.5)
(31.4)	**Balance at 31 March**		**(32.9)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11
£m		£m
(1,068.9)	**Balance at 1 April**	**(1,659.3)**
(540.2)	Actuarial gains or (losses) on pensions assets and liabilities	67.3
(162.7)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	71.7

112.4	Employer's pensions contributions and direct payments to retirees payable in the year	114.3
(1,659.3)	**Balance at 31 March**	**(1,406.0)**

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£m		**£m**
32.6	**Balance at 1 April**	**30.2**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**0**
(2.4)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(0.7)**
30.2	**Balance at 31 March**	**29.5**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£m		**£m**
(0.0)	**Balance at 1 April**	**4.2**
4.2	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(4.1)**
4.2	**Balance at 31 March**	**0.1**

Equal Pay Back Pay Account

The Equal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2009/10		2010/11	
£m		**£m**	
0	**Balance at 1 April**		**0**
0	Increase in provision for back pay in relation to Equal Pay cases	(130.7)	
0	Cash settlements paid in the year	0	

0	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		(130.7)
0	**Balance at 31 March**		**(130.7)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11	
£m		**£m**	
(46.9)	**Balance at 1 April**		**(46.1)**
0.7	Settlement or cancellation of accrual made at the end of the preceding year	1.5	
0	Amounts accrued at the end of the current year	0	
0.7	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1.5
(46.1)	**Balance at 31 March**		**(44.6)**

Note 26
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2009/10 £m		2010/11 £m
18.8	Interest received	0
(138.8)	Interest paid	0.3
0	Dividends received	0

Note 27
Cash Flow Statement - Investing Activities

2009/10 £m		2010/11 £m
124.2	Purchase of property, plant and equipment, investment property and intangible assets	(461.8)
5.1	Purchase of short-term and long-term investments	0
221.8	Other payments for investing activities	0
(82.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16.2
(128.9)	Proceeds from shot-term and long-term investments	0
(231.3)	Other receipts from investing activities	0
(91.5)	**Net cash flows from investing activities**	**(445.6)**

Note 28
Cash Flow Statement - Financing Activities

2009/10 £m		2010/11 £m
(149.5)	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities	0
1.9	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3.1
138.5	Repayments of short- and long-term borrowing	0
0	Other payments for financing activities	0
(9.2)	**Net cash flows from financing activities**	**3.1**

Note 29
Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios and Committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Portfolios and Committees.

Net expenditure is reported to the Cabinet as follows:

Portfolio / Committee	2010/11 Outturn	2009/10 Outturn
	£'000	**£'000**
Leader	20,102	67,180
Deputy Leader	129,818	180,193
Adults and Communities	293,140	302,771
Children's, Young People and Families	260,355	306,607
Equalities and Human Resources	6,841	9,056
Housing General Fund	10,325	14,560
Leisure, Sport and Culture	49,727	51,511
Local Services and Community Safety	(445)	83,063
Regeneration	0	16,671
Transportation & Street Services	0	97,596
Transport, Environment and Regeneration	98,104	0
Finance	53,850	0
Charities and Trusts	234	0
Council Business Management	10,030	9,958
Planning	4,678	5,104
Licensing	352	247
Public Protection	12,426	13,431
Constituencies	0	108,015
Contingencies	103,935	0
Capital Accounting / Financing Costs	(85,318)	(169,708)
City Council General Fund	**968,154**	**1,096,255**
Housing Revenue Account	0	0

Reconciliation of portfolio net expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2010/11	2009/10
	£m	**£m**
Net expenditure in Portfolio Analysis		
Net expenditure of services and support services not included in the Analysis		
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis		
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		
Cost of Services in Comprehensive Income and Expenditure Statement		

Reconciliation to subjective analysis

2010/11	Portfolio Analysis	Additional Segments not in Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of support service recharges	Allocations between lines	Amounts reported below the net cost of services in CIES	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Fees, charges and other service income								
Surplus or deficit on associates and joint ventures								
Interest and investment income								
Income from council tax								
Government grants and contributions								
Total income								
Employee expenses								
Other service expenses								
Support service recharges								
Depreciation, amortisation and impairment								
Interest payments								
Precepts and levies								
Payments to Housing Capital Receipts pool								
Gain or loss on disposal of non-current assets								
Total expenditure								

Surplus or deficit on the provision of services							
2009/10 comparative figures	Portfolio Analysis	Additional Segments not in Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of support service recharges	Allocations between lines	Amounts reported below the net cost of services in CIES	**Total**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Fees, charges and other service income								
Surplus or deficit on associates and joint ventures								
Interest and investment income								
Income from council tax								
Government grants and contributions								
Total income								
Employee expenses								
Other service expenses								
Support service recharges								
Depreciation, amortisation and impairment								
Interest payments								
Precepts and levies								
Payments to Housing Capital Receipts pool								
Gain or loss on disposal of non-current assets								
Total expenditure								
Surplus or deficit on the provision of services								

Note 30
Trading Operations

The Authority has established 25 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units with a turnover of greater than £1 million are as follows:

2009/10				2010/11		
Turnover	Expenditure	(Surplus) / deficit	Trading activity	Turnover	Expenditure	(Surplus) / deficit
£m	**£m**	**£m**		**£m**	**£m**	**£m**
(6.8)	6.5	(0.3)	Highways & Sewers	(1.1)	1.0	(0.1)
(8.1)	10.5	2.4	Property Services	(7.7)	8.6	0.9
(12.0)	10.5	(1.5)	Legal Services	(11.3)	10.7	(0.6)
(7.8)	6.4	(1.4)	Markets	(8.1)	7.5	(0.5)
(3.7)	3.7	0.0	Non-Schools Cleaning	(3.5)	3.7	0.2
(2.1)	2.0	(0.1)	Catering	(2.0)	2.0	0.0
(3.5)	3.5	0.0	Street Lighting	(0.7)	0.7	(0.0)
(5.0)	4.6	(0.4)	Vehicle Maintenance	(4.6)	4.5	(0.1)
(31.5)	30.6	(0.9)	Education Catering	(30.6)	30.6	(0.1)
(4.7)	4.7	0.0	Education Staff Agency	(9.1)	8.9	(0.2)
(6.3)	5.2	(1.1)	Trade Refuse	(6.6)	2.9	(3.8)
(67.1)	52.0	(15.1)	Urban Design	(62.4)	45.9	(16.5)
(8.0)	7.7	(0.3)	Grounds Maintenance	(8.0)	7.8	(0.2)
(8.4)	8.1	(0.3)	Education Cleaning	(8.1)	8.1	(0.0)
(3.1)	3.1	0.0	Design & Print	0.0	0.0	0.0
(2.4)	2.4	0.0	Meals Direct	(1.1)	1.1	(0.0)
(2.4)	2.3	(0.1)	Birmingham City Laboratories	(1.9)	1.8	(0.1)
(1.4)	1.2	(0.2)	Landscape Practice	(1.1)	1.0	(0.1)
(1.7)	1.6	(0.1)	Community Day Nurseries	(1.4)	1.5	0.0
(3.3)	3.3	0.0	Other Trading Activities	(2.3)	2.4	0.1
(189.3)	**169.9**	**(19.4)**		**(171.7)**	**150.6**	**(21.1)**

<u>Details of Trading Undertakings</u>

Highways and Sewers
Highways carries out highway functions including highway maintenance and structures, land drainage and new street works. (All of these functions are procured via in-house contracting and externally tendered contracts).

Property Services
Birmingham Property Services (BPS) is the largest in-house local authority Property Consultancy. BPS provide an integrated professional property service to the Council, with a responsibility to manage and dispose of City-owned commercial land and property, including shops, offices, industrial units, warehouses, business parks and development sites.

Legal Services
The Legal Services Office of the Legal & Democratic Services Department is a highly successful trading organisation and is the largest in-house local authority legal department in the UK - and amongst the largest in Europe - providing high quality legal advice and representation services to meet the full requirements of the Council, its Departments and the citizens of Birmingham.

Markets
The Markets section manages the wholesale market and Birmingham's historic Bull Ring Markets – site of a market for more than 800 years. Within the complex are three retail markets which attract around 10 million customers each year.

Non-Schools Cleaning
Birmingham City Cleaning currently undertakes cleaning business worth approximately £4.0m and covers some 316 locations employing a team of 311 full and part-time staff.

Catering
Catering is provided at 5 Civic and Commercial Venues across the City.

Street Lighting
Street lighting is the lighting on all roads - main roads, side roads, residential roads, city centre squares, footpaths, tunnels, and subways. The lights can vary in height from small side road ones to tall high masts at main junctions.

Vehicle Maintenance
The Fleet & Waste Management Division operates a service from several workshops around the City, carrying out major repairs and servicing for vehicles and items of plant and equipment. This service covers the entire City fleet, including holding the Operators licence for heavy vehicles across all departments. A taxi MOT service is also provided.

Education Catering
Direct Services (Catering) has specialist knowledge of the education sector and has decades of experience working with school pupils in Birmingham. Armed with this comprehensive experience the service possesses an inherent understanding of school catering and its specialist requirements. The following services are available: Pre-school breakfast service; Mid morning refreshments; Mid-day meals service; After school refreshment service; Subsidised & Free Milk schemes; Vending Service; Staff Room Pre Paid Service; Sixth Form Pre Paid Service; Water Facilities; Tuck Shops.

Education Staff Agency
Education Staff Agency supply high quality temporary workers to both schools and education offices and other Birmingham City Council Directorates.

Trade Refuse
Trade Refuse offers a competitive waste management service to businesses and industrial premises and provides Clinical Waste Removal Services, Graffiti Removal, Septic Tank and Cesspit emptying, Containers and Skips, Prepaid Sacks, Hire of Equipment and Special Collection.

Urban Design
Urban Design delivers professional, high quality construction-related design and maintenance services to the Council and external clients. Urban Design leads on sustainability of the built environment and whole life value construction procurement.

Grounds Maintenance
Grounds Maintenance are responsible for the maintenance of all of the City's parks, open spaces and golf courses as well as the floral displays that have helped to promote the City over the years. In addition, they look after all of the 'green' maintenance of Council estates, highway verges, traffic islands, schools, residential care homes, cemeteries and crematoria, playing fields, allotments and children's outdoor playgrounds.

Education Cleaning
Education Cleaning provide cleaning services to all types of establishment, including primary and secondary schools, nursery schools, children’s centres and Surestart units. It is this diversity of provision, on a daily basis, that helps to develop and maintain the highest levels of modern cleaning practice and technology.

Design & Print
Design and Print is the in-house provider of design, print, and print finishing to Birmingham City Council Directorates/Divisions, schools and colleges plus other public sector customers.

Meals Direct Service
Meals Direct Service produces 1,300 individual meals in a day. The Meals Direct Service provides a home delivery service of frozen or hot meals to meet the needs of our customers.

Birmingham City Laboratories
BCL is approved to carry out specific United Kingdom Accreditation Service (UKAS) tests. Its specialist team of scientists and engineers are also able to undertake a wide range of on-site and laboratory inspection services, ranging from microscopic analysis of samples, through to full scale testing/appraisal of civil engineering structures.

Landscape Practice
The Landscape Practice Group is the provider of landscape architectural services for the Council.

DSD Trading Community Day Nurseries
There are 868 places for Birmingham children in 23 Community Day Nurseries, managed and maintained by Children, Young People, and Families. The nurseries are open 52 weeks of the year and cater for children from 6 weeks old. DSD provide all the catering and cleaning services at these units.

Others
This includes pest control, general works - sign shops DLO, gully emptying, other education catering, and outdoor educational centres.

Note 31
Members' Allowances

Allowances paid to Members of the Council in 2010/11 totalled £3.1m (2009/10: £3.1m). These figures include national insurance and superannuation contributions.

Further information can be found on the Council's website www.birmingham.gov.uk

Note 32
Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	2010/11				2009/10			
	Salary, fees and allowances £	Expense allowances £	Pension contributions £	**Total £**	Salary, fees and allowances £	Expense allowances £	Pension contributions £	**Total £**
Chief Executive - Stephen Hughes	198,925	0	29,565	**228,490**	182,500	0	28,287	**210,787**
Strategic Director (Housing and Constituencies)	145,814	94	23,622	**169,530**	143,251	0	22,204	**165,455**
Strategic Director (Development)	74,013	0	11,990	**86,003**	0	0	0	**0**
Strategic Director (Environment and Culture)	145,814	0	23,141	**168,955**	146,837	0	22,760	**169,597**
Strategic Director (CYPF)*	0	0	0	**0**	143,251	0	22,204	**165,455**
Strategic Director (Adults and Communities)	145,814	0	23,622	**169,436**	143,251	0	22,204	**165,455**
Strategic Director of Corporate Resources	142,999	11	23,166	**166,176**	140,798	0	21,824	**162,622**

* This post is vacant and has been filled during 2010/11 on an interim basis.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2010/11		Remuneration band	2009/10		
Employed Teaching Staff & Staff	BCC Employees	Total		Total	BCC Employees	Employed Teaching Staff & Staff
215	178	393	£50,000 - £54,999	443	239	204
149	140	289	£55,000 - £59,999	282	116	166
133	62	195	£60,000 - £64,999	159	76	83
66	72	138	£65,000 - £69,999	101	67	34
29	22	51	£70,000 - £74,999	34	17	17
15	30	45	£75,000 - £79,999	36	19	17
16	26	42	£80,000 - £84,999	33	21	12
12	6	18	£85,000 - £89,999	20	11	9
10	20	30	£90,000 - £94,999	22	14	8
3	5	8	£95,000 - £99,999	4	2	2
2	2	4	£100,000 - £104,999	5	3	2
1	2	3	£105,000 - £109,999	1	1	0
0	2	2	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	1	1	0
0	0	0	£120,000 - £124,999	0	0	0
1	0	1	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	1	1	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
652	568	1,220		1,141	587	554

Note 33

Auditor Remuneration

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009/10		2010/11
£m		**£m**
0.7	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	0.7
0.1	Fees payable to the Audit Commission in respect of statutory inspections	0.0
0.4	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.3
0	Fees payable in respect of other services provided by the Audit Commission during the year	0

1.2	**Total**	**1.0**

Note 34

Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2010/11	69.8	718.5	**788.3**
Brought forward from 2009/10	(0.2)	0.0	**(0.2)**
Carry forward to 2011/12 agreed in advance	0.0	0.0	**0**
Agreed budgeted distribution in 2010/11	**69.6**	**718.5**	**788.2**
Actual central expenditure	(67.8)	0.0	**(67.8)**
Actual ISB deployed to schools	0.0	(718.5)	**(718.5)**
Local authority contribution for 2010/11	0.0	0.0	**0**
Carry forward to 2011/12	**1.8**	**0.0**	**1.8**

Note 35

Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10		2010/11
£m		**£m**
	Credited to Taxation and Non Specific Grant Income	
324.0	Council Tax Income	331.3
536.3	Non domestic rates	592.0
104.3	Area Based Grant including WNF/DCLG	141.2
964.5		**1,064.5**

2009/10		2010/11
£m		**£m**
	Credited to Services	
4.6	Social Care Reform Grant	5.6
12.8	Adult Education (LSC)	11.9
51.9	Supporting People (Moved to ABG in 2010/11)	0.0
0.0	Future Jobs Fund	3.1

3.5	Future Jobs Fund DWP	7.2
0.0	DCLG - PFI Project 3	39.8
3.7	Revenue Grant HGF	3.9
66.3	Subsidy & Flood repair Grant	15.9
7.9	Transport, Environment & Regeneration Grants	5.1
13.9	Benefit Service HB/CTB Admin Grant	12.7
517.2	HB/CTB Subsidy Grant Claim	557.2
47.4	Surestart Early Years & Childcare Grant/DfE	54.3
3.5	Youth Justice Grant/Youth Justice Board	3.6
39.8	CYPF Fin Technical	0.0
768.2	Dedicated Schools Grant - DFE	816.0
0.0	Young People Learning Agency	44.9
112.2	Standards Fund Grant - DFE	129.8
44.3	YPLA grants for Further Education	37.0
64.1	Revenue grants under de-minimus level of £3m	24.6
35.5	Capital Grant - DSCF Standards Fund	84.9
7.7	Capital Grant - Lottery	6.2
5.8	Capital Grant - Section 106/278	8.6
31.2	Capital Grant - AWM	21.0
12.5	Capital Grant - Section 31	13.2
14.3	Capital Grant - Single Capital Pot	18.5
41.0	Capital Grant - Other Grants	68.0
22.1	Various Contributions under de-minimus of £3m	74.7
1,931.5	**Total**	**2,067.6**

All Capital Grants received are either non-conditional or the conditions have been met, therefore there are no entries to the Capital Grants Receipts in Advance Account for 2010/11. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement. There are no capital grants credited to services.

Note 36

Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Authority has interests in a number of companies as detailed below:

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 36.

Members

Members of the Authority have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2010/11 is shown in note 31.
During 2010/11 , works and services to the value of £150.30 m were commissioned from companies in which members had an interest. Additionally £86.40 m was received during 2010/11 from companies in which members had an interest.

Officers

There were no transactions between Senior Officers of the Authority and Birmingham City Council and its' related parties , other than the receipt of emoluments due as employees of the Council and payments of Council Tax due as appropriate.

Other Public Bodies

The Authority has a pooled budget arrangement with three Primary Care Trusts (PCT's), namely Heart of Birmingham PCT , NHS Birmingham East and North and NHS South Birmingham , to promote more effective and efficient equipment purchase and maintenance. The aim is to support intermediate care , palliative care and hospital discharge initiatives.

Entities Controlled or Significantly Influenced by the Authority

Pending completion of group accounts work

Note 37
Leases

<u>Authority as the lessee</u>

Finance leases

The Council has acquired a number of administrative buildings under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
0	0	Other Land and Buildings	0
0	0	Vehicles, Plant, Furniture and Equipment	0
0	**0**		**0**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
0.4	0.4	Future lease liabilities (net present value of minimum lease payments):	0.4
0.0	1.4	current	1.4
0.4	2.4	non-current	2.4
2.6	3.4	Future costs payable in future years	3.4
3.3	**7.4**	**Minimum lease payments**	**7.4**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments			Finance lease liabilities		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Not later than one year	0.0	0.0	0.0	0.0	0.0	0.0
Later than one year and not later than five years	0.2	0.2	0.2	0.0	0.0	0.0
Later than five years	2.7	2.7	2.8	0.3	0.3	0.3
Total	**5.8**	**5.9**	**2.9**	**0.7**	**0.7**	**0.4**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In both 2010/11 and 2009/10, no contingent rents were payable by the Authority.

The Authority has not sub-let any of the assets held under these finance leases.

Operating leases

The Council has acquired a number of administrative buildings under operating leases., with typical lives up to 50 years for buildings and 110 years for land. The lease terms are typical for a local authority. The future minimum lease payments due under non-cancellable leases where the length of lease was greater than 1 year at inception are:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
4.5	3.4	Not later than one year	2.1
3.1	2.9	Later than one year and not later than five years	2.8
11.1	9.0	Later than five years	6.9
18.8	**15.4**		**11.9**

The Authority has not sub-let any of the assets held under these operating leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2009/10		2010/11
£m		**£m**
0.1	Minimum lease payments	0.1
0	Contingent rents	0
3.5	Sublease payments receivable	2.7
3.6		**2.8**

Authority as the lessor

Finance leases

The Authority has leased out property within Birmingham to a number of parties on a finance lease with typical terms of over 50 years for buildings and over 110 years for land. The terms of the leases are typical of those where an Authority leases its assets on long term leases. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
0.7	0.7	Finance lease debtor (net present value of minimum lease payments):	0.8
25.4	25.0	current	25.7
232.1	231.8	non-current	237.0
42.3	42.9	Unearned finance income	43.0
326.5	326.1	Unguaranteed residual value of property	332.8

626.9	626.6	**Gross investment in the lease**	**639.2**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in the lease			Minimum lease payments		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Not later than one year	0.2	0.9	1.6 #	8.3	8.8	9.6
Later than one year and not later than five years	25.5	24.1	23.7	209.1	202.8	203.3
Later than five years	26.5	25.7	26.1	220.2	214.4	215.6
Total	**102.8**	**102.1**	**51.5**	**863.6**	**854.5**	**428.4**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0.23m contingent rents were receivable by the Authority (2009/10 £0.23m).

Operating leases

The Authority has leased out property within Birmingham to a number of parties on operating leases with typical terms of less than 50 years for buildings and less than 110 years for land. The terms of the leases are typical of those where an Authority leases its assets on short term leases.

The future minimum lease payments receivable under non-cancellable leases where the length of lease was greater than 1 year at inception are:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
9.8	9.9	Not later than one year	9.6
30.8	30.9	Later than one year and not later than five years	30.6
0	106.4	Later than five years	104.0
40.6	**147.2**		**144.1**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £1.52m contingent rents were receivable by the Authority (2009/10 £1.52m).

Leases - contingent rent

Contingent rent is estimated by the application of the Government published RPI figures to the minimum rentals due or payable at the applicable dates

Note 38
Private Finance Initiatives and Similar Contracts

Included within concession arrangements are a number of agreements which constitute the purchase of assets on deemed credit terms. The deemed credit terms vary between arrangements. The main terms of the material arrangements are as follows:

- Schools PFI are over 25 years with the annual payments uplifted by RPI
- The waste disposal arrangement payments are based on a fixed tonnage of waste plus charges for incremental disposals. The payments are uplifted annually in line with RPI
- The Voluntary Arrangement and Voluntary Controlled schools assets and associated deemed liability represent and buildings provided for the City's use from various religious and charitable groups. Any increases in payments are determined by the Secretary of State for Schools
- TheVoluntary Arrangement and Voluntary Controlled schools deemed liability was extinguished by the transfer of assets to the foundation from the Council at the inception of the arrangement

All assets are accounted for on the same basis as similar assets where the Council holds the freehold title.

Birmingham City Council completed contractual discussions and put the necessary financial arrangements in place for the Birmingham Highways Management & Maintenance Private Finance Initiative (HMMPFI) with preferred bidders Amey in May 2010. The contract became operational on 7 June 2010.
The contract gives Amey responsibility for improving and maintaining 2,500km of the city's road network, nearly 100,000 street lights, as well as over 850 highway bridges, structures, and tunnels.
The 25 year, £2.7bn PFI for maintenance and management of Birmingham's highways is the UK's biggest local government highways sector PFI.
Services in the contract include:

• Investing to remove highway maintenance backlogs and raise standards;
• Upgrading the entire Street Lighting standard;
• Upgrading the Council's UTMC;
• Refurbishing the Council's tunnels:
• Maintaining all specified street furniture;
• Managing highway activity, such as inspections, assessments and utility works on the network;
• Performing on-going maintenance, to keep assets at the required standard; and
• Providing operational responsiveness for emergencies and activities such as winter gritting.

Payments remaining as at 31 March 2011	Interest	Repayment of liability	Payment for services	**Total**
	£m	**£m**	**£m**	**£m**
Payable in 2011/12	13.0	4.3	36.5	**53.8**
Payable within 2 to 5 years	48.6	27.1	156.3	**232.0**
Payable within 6 to 10 years	51.8	29.0	46.8	**127.6**
Payable within 11 to 15 years	42.7	24.7	47.0	**114.4**
Payable within 16 to 20 years	31.1	35.4	49.4	**115.9**
Payable within 21 to 25 years	15.3	38.7	31.8	**85.8**
Payable within 26 to 30 years	3.6	18.9	12.1	**34.6**
Total	**206.0**	**178.3**	**379.9**	**764.1**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2009/10		2010/11
£m		**£m**
143.6	Liability outstanding at start of year	140.2
9.9	Interest	10.0
(14.5)	Repayment	(15.5)
1.2	Lifecycle expenditure	43.7
140.2	**Liability outstanding at end of year**	**178.3**

Note 39

Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Authority paid £54.46m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £54.5m and 14.1%. There were no contributions remaining payable at the year-end

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

Note 40

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes accounted for as defined benefit schemes:

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund offices at Wolverhampton City Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. An employer's contribution rate of 16.2% was set for the Council for 2011/12, which includes an element to fund early retirement strain costs.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

<u>Transactions relating to retirement benefits</u>

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The tables below show the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Unfunded Teachers' Scheme (discretionary benefits)	
	2010/11	2009/10	2010/11	2009/10
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement (not including Other Comprehensive Income and Expenditure)				
Cost of Services:				
current service cost	110.8	70.5	0	0
past service cost	(248.1)	0.8	(3.9)	0.1
curtailments and settlements	7.2	5.6	0.1	0
Financing and investment income and expenditure:				
interest cost	229.6	205.0	3.7	4.2
expected return on scheme assets	(171.1)	(123.6)	0	0
Total post employment benefit charged to the surplus or deficit on the provision of services	**(71.7)**	**158.4**	**(0.0)**	**4.3**
Movement in Reserves Statement				
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	180.2	(51.9)	5.8	1.7
Net charge against the General Fund balance for pensions in the year comprising:				
employer's contributions payable to scheme	**108.6**	**106.5**		
retirement benefits payable to retirees			**5.8**	**5.9**

	Local Government Pension Scheme		Unfunded Teachers' Scheme (discretionary benefits)	
	2010/11	2009/10	2010/11	2009/10
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement				
Total post employment benefit charged to the surplus or deficit on the provision of services (shown above)	(71.7)	158.4	(0.0)	4.3
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				

actuarial (gains) and losses	(68.7)	529.1	1.3	11.1
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**(140.3)**	**687.5**	**1.3**	**15.3**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £582.8m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded					
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m	£m	£m
Obligations as at 1 April	(4,003.9)	(2,815.9)	(87.1)	(73.3)	(70.9)	(61.5)	**(4,161.9)**	**(2,950.7)**
Current service cost	(110.8)	(70.5)	0	0	0	0	**(110.8)**	**(70.5)**
Past service cost	243.8	(0.8)	4.3	0	3.9	(0.1)	**251.9**	**(0.9)**
Curtailments	(7.2)	(5.6)	0	0	(0.1)	0	**(7.3)**	**(5.6)**
Settlements	0	0	0	0	0	0	**0**	**0**
Interest on pension liabilities	(224.8)	(200.1)	(4.7)	(5.0)	(3.7)	(4.2)	**(233.3)**	**(209.2)**
Actuarial gains/(losses) on liabilities	27.9	(978.2)	4.1	(14.5)	(1.3)	(11.1)	**30.6**	**(1,003.8)**
Benefits/transfers paid	127.1	107.0	5.7	5.7	5.8	5.9	**138.5**	**118.6**
Member contributions	(38.7)	(39.8)	0	0	0	0	**(38.7)**	**(39.8)**
Obligations as at 31 March	**(3,986.7)**	**(4,003.9)**	**(77.8)**	**(87.1)**	**(66.5)**	**(70.9)**	**(4,131.0)**	**(4,161.9)**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Birmingham City Council authority's liabilities in West Midlands Pension Fund by £248.4m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48,since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded					
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of assets as at 1 April	2,502.6	1,881.8	0	0	0	0	**2,502.6**	**1,881.8**
Employer contributions	102.9	100.8	5.7	5.7	0	5.9	**108.6**	**112.4**
Expected return on assets	171.1	123.6	0	0	0	0	**171.1**	**123.6**
Actuarial Gains/(losses) on assets	36.7	463.6	0	0	0	0	**36.7**	**463.6**
Benefits/transfers paid	(127.1)	(107.0)	(5.7)	(5.7)	0	(5.9)	**(132.7)**	**(118.6)**
Settlements	0	0	0	0	0	0	**0**	**0**
Member contributions	38.7	39.8	0	0	0	0	**38.7**	**39.8**
Fair value of assets as at 31 March	**2,725.0**	**2,502.6**	**0**	**0**	**0**	**0**	**2,725.0**	**2,502.6**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year for LGPS was £161.1m (2009/10: £587.2m)

Scheme History

The movement on the pension schemes' asset and liabilities over the last five years are shown below:

	2006/07	2007/08	2008/09	2009/10	2010/11
	£m	**£m**	**£m**	**£m**	**£m**
Present value of liabilities:					
Local Government Pension Scheme	(3,080.6)	(3,410.2)	(2,889.2)	(4,091.0)	(4,064.5)
Unfunded Teachers' Scheme	(66.1)	(72.6)	(61.5)	(70.9)	(66.5)
Total present value of liabilities	**(3,146.7)**	**(3,482.8)**	**(2,950.7)**	**(4,161.9)**	**(4,131.0)**
Fair value of assets in the Local Government Pension Scheme	2,339.9	2,342.0	1,881.8	2,502.6	2,725.0
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(740.7)	(1,068.2)	(1,007.4)	(1,588.4)	(1,339.5)
Unfunded Teachers' Scheme	(66.1)	(72.6)	(61.5)	(70.9)	(66.5)
Total	**(806.8)**	**(1,140.8)**	**(1,068.9)**	**(1,659.3)**	**(1,406.0)**

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits.

The total liability of £1406.0m has a substantial impact on the net worth of the authority. However statutory arrangements for funding the deficit means that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £91.2m . Expected contributions for the unfunded teachers' (discretionary benefits) scheme in the year to 31 March 2012 are £5.9m.

Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded teachers' pension scheme have been assessed by Mercers Human Resource Consulting Ltd, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future years dependent on assumptions about mortality rates, salary levels etc. The estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

Assumptions	Local Government Pension Scheme		Unfunded Teachers' Scheme	
	2010/11	2009/10	2010/11	2009/10
Long-term expected rate of return on assets:				
Equities	7.5%	7.5%	n/a	n/a
Government bonds	4.4%	4.5%	n/a	n/a
Other bonds	5.1%	5.2%	n/a	n/a
Property	6.5%	6.5%	n/a	n/a
Cash/liquidity	0.5%	0.5%	n/a	n/a
Other				
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	21.6	21.2	21.6	21.2
Women (years)	24.2	24.1	24.2	24.1
Longevity at 65 for future pensioners:				
Men (years)	23.0	22.2	n/a	n/a
Women (years)	25.8	25.0	n/a	n/a
Rate of inflation	3.4%	3.3%	3.3%	3.2%
Rate of increase in salaries	4.7%	5.1%	n/a	n/a
Rate of increase in pensions	2.9%	3.3%	2.8%	3.2%
Rate for discounting of scheme liabilities	5.5%	5.6%	5.4%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a

The unfunded teachers' discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2010	1 April 2009
	%	%	%
Equities	59.1	53.7	55.7
Government bonds	8.2	7.9	12.4
Other bonds	5.9	6.0	4.1

Property	8.5	7.2	7.3
Cash/liquidity	2.1	1.4	4.0
Other	16.2	23.8	16.5
Total	**100.0**	**100.0**	**100.0**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	0.9	(8.1)	34.4	18.5	1.3
Experience gains and losses on liabilities:	0	(1.8)	0	0	1.0
LGPS	*0*	*(1.8)*	*0*	*0*	*1.0*
Unfunded Teachers Pension Scheme	*0.0*	*0.0*	*0.0*	*0.0*	*2.2*

Note 41

Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the Council for repayment of loans taken out by certain associated companies. The Council currently has the following contingent liabilities:

1. The Council is guaranteeing payment of the full amount on the principal of and interest accruing on the National Exhibition Centre (Developments) PLC loan stock raised in May 1997 for the construction of the four new halls at the NEC. The amount of the loan guaranteed is £73m (2008/09: £73m), due in 2027.

2. The Council has an Accountable Body role for a range of grant funding regimes including New Deal for Communities and European Funding. This role can be project specific, e.g. New Street Gateway, where the Council accesses funding directly for itself or on behalf of another organisation or programme related, where the Council is accountable for the delivery of or underwrites the performance of a specific programme, e.g. Aston Pride. Under this role there is a potential liability to the Council arising from non-delivery of outputs, ineligible expenditure, or disposal of assets. The Council has quantified this potential liability at 31 March 2010 of £539.6m and future commitments of £193.4m. To minimise the impact of these possible liabilities the Council has introduced various controls and mechanisms such as legal agreements, charges on assets and detailed expenditure verification and monitoring procedures.

3. The Council's final Housing Benefit claim for 2008/09 and 2009/10 is still being considered by the Department of Work and Pensions. There may be clawback of subsidy from the Council, above the level provided for in the accounts, which would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

4. Under the Equal Pay Act 1970 , as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. Payments are envisaged in future years but the extent of these cannot be quantified at present. A provision of £291.89m has been made on the balance sheet for future potential liabilities.

5. The Council may have a pension liability relating to employees who transferred under TUPE to contractors who has lost a subsequent re-tendering of their contracts by the Council. The Council is still in dialogue with the West Midlands Pension Fund on this issue. It is possible that that there may be an adjustment to the Council's employer pension contribution rate in future years but this cannot be confirmed until all of the actuarial assessments have been completed by the Pension Fund.

Note 42
Trust funds

The Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total monies held at 31 March 2010, based upon the figures within the table below, were £14.3m (2009/10: £26.2m). In addition, the Council held £2.4m (2009/10: £2.2m) of Social Services Clients' Funds. The trust funds and clients' funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet.

The major trust funds are detailed below, with those highlighted in bold indicating where the Council acts as sole trustee:

	Balance at 1 April 2010	Income	Expenditure	Balance at 31 March 2011
	£m	**£m**	**£m**	**£m**
Alderson - To let dwelling houses to ex-servicemen and other persons in need.	0.2	0.0	0.0	0.3
Bodenham Trust - For children with special educational needs	0.5	0.1	0.0	0.6
Centre for the Child - To promote the education of children & their carers	0.1	0.0	0.0	0.1
Charles Baker Trust - For the elderly and disabled	0.2	0.0	0.0	0.3
Clara Martineau Trust - For children with special educational needs	3.1	0.2	0.1	3.2
Cropwood Estate – management of the estate Management of Estate	11.9	0.2	0	12.1
Elford Trust Healthy Creation for Birmingham Citizens	3.1	0.3	0.3	3.1
Harriet Louisa Loxton Charity - For the aged and infirm	1.4	(0.1)	0.0	1.3
Highbury Trust- To use the bequest for the benefit of the citizens of Birmingham	4.0	0.2	0.2	4.0
Holinsworth Fund- To further the work of voluntary hospitals	0.2	0.0	0.0	0.2
The Lord Mayor's Charity Appeal - For charitable purposes	0.2	0.1	0.2	0.1
Museum & Art Gallery Development Trust - Enhancement of city museums	0.6	0.4	0.7	0.4
Moseley Road Friends Institute- Provision & maintenance of Institute	(0.1)	0.5	0.2	0.2
Other	0.4	0.0	0.0	0.4
Total	**25.9**	**2.1**	**1.8**	**26.2**

Below is an analysis of the assets of the main funds:

	Restricted funds at 31 March 2011	Unrestricted funds at 31 March 2011	Total funds at 31 March 2011
	£m	**£m**	**£m**
Alderson - To let dwelling houses to ex-servicemen and other persons in need.	0.0	0.3	0.3
Bodenham Trust - For children with special educational needs	0.5	0	0.5
Centre for the Child - To promote the education of children & their carers	0.1	0	0.1
Charles Baker Trust - For the elderly and disabled	0.1	0.2	0.3
Clara Martineau Trust - For children with special educational needs	3.2	0	3.2
Cropwood Estate – management of the estate	11.9	0.2	12.1
The Elford Trust - Healthy recreation for Birmingham citizens	2.9	0.2	3.1
The Harriet Louisa Loxton Charity - For the aged and infirm	0.2	1.2	1.3
Highbury Trust - To use the bequest for the benefit of the citizens of Birmingham	4.0	0	4.0
Holinsworth Fund - To further the work of voluntary hospitals	0.1	0.0	0.2
The Lord Mayor's Charity Appeal - For charitable purposes	0.0	0.1	0.1
Museum & Art Gallery Development Trust - Enhancement of city museums	0.1	0.3	0.4
Moseley Road Friends Institute- Provision & maintenance of Institute	0.2	0	0.2
Total	**23.3**	**2.4**	**25.7**

Note 43
Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. Employees build up an entitlement to paid annual leave as they work. Under the Code, the cost of providing annual leave and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund annual leave pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Recognised	Movement In The CIES	Recognised
31 March 2009	2009/10	31 March 2010
£m	**£m**	**£m**
46.86	0.73	46.14

2. Leases

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code (1 April 2010).

This has resulted in the following changes being made to the 2009/10 financial statements:

3. Government grants

Under The Code all capital grants were judged as having no conditions restricting their use by the authority. All Capital Grants that were represented on the balance sheet in prior periods have been recognised as income during those periods. The impact on both the balance sheet and comprehensive income statement is disclosed below

Year end	Expensed Balance
	£m
Periods to 31 March 2009	177.87
2009/10	98.28

4. Fixed Assets

The following changes have been made to the opening position as at 31 March 2009
1. All properties classified as investment properties have been reclassified as operational assets under The Code
2. Properties which are identified for sale are reclassified as non current assets as per the table below

Year end	Balance
	£m
31 March 2009	17.50
31 March 2010	18.40

During the IFRS conversion process a number of properties were identified which were not recognised previously. The following table shows the impact on the financial statements of these errors

	£m Recognised 31 March 2009	£m Depreciation 2009/10	£m Recognised 31 March 2010
Land and Buildings	60.36	1.18	59.17
Plant	1.45	0.13	1.32
Infrastructure	3.27	0.13	3.14
Community	(7.08)	0.00	(7.08)
AUC	(0.04)	0.00	(0.04)
Total	57.95	1.44	56.50

Housing Revenue Account Income and Expenditure Statement

2009/10		2010/11
£000		£000
	Income	
(203,314)	Dwellings rents	(210,009)
(5,716)	Non-dwellings rents	(5,470)
(23,024)	Charges for services and facilities	(25,328)
(7,799)	HRA subsidy receivable	0
0	Sums directed by the Secretary of State that are income in accordance with the Code	0
(239,853)	**Total Income**	**(240,807)**
	Expenditure	
66,323	Repairs and maintenance	60,118
65,750	Supervision and management	63,698
4,644	Rent, rates, taxes and other charges	4,408
0	Negative HRA subsidy payable	48,399
40,722	Depreciation and impairment charge	40,922
118	Debt management costs	206
2,997	Movement in the allowance for bad debts (not specified by the Code)	3,033
0	Sums Directed by the Secretary of State that are expenditure in accordance with the Code	0
180,554	**Total Expenditure**	**220,784**
(59,299)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(20,023)**
0	HRA share of Corporate and Democratic Core	0
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	0
(59,299)	**Net (Income) / Cost of HRA Services**	**(20,023)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
32,560	Interest payable and similar charges	33,632
1,773	Amortisation of premiums and discounts	1,441
(230)	HRA interest and investment income	(107)
3,995	(Gains)/ losses on the disposal of HRA non-current assets	0
5,036	Pensions interest cost and expected return on pensions assets	2,345
0	Capital grants and contributions receivable	0

(16,165)	**(Surplus) or Deficit for the Year on HRA Services**	**17,289**

Movement on the Housing Revenue Account Statement

2009/10		2010/11
£000		£000
(16,165)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	17,289
17,925	Adjustments between accounting basis and funding basis under statute (note 7)	(21,914)
1,760	Net (increase) or decrease before transfers to or from reserves	**(4,625)**
0	Transfers to or (from) reserves	0
1,760	(Increase) or decrease for the year on HRA balance	**(4,625)**
(3,351)	HRA Balance Brought Forward	(1,591)
(1,591)	HRA Balance Carried Forward	**(6,216)**

Notes to the Housing Revenue Account

H1. Housing Stock

The types of properties owned by the Council at 31st March comprise:

1 April 2009	31 March 2010		31 March 2011
3,753	3,758	1 bedroom bungalows	3,741
15,858	15,805	1 bedroom flats	15,787
26	30	1 bedroom houses	31
302	297	2 bedroom bungalows	297
11,464	11,387	2 bedroom flats	11,372
8,406	8,374	2 bedroom houses	8,363
33	32	3 or more bedroom bungalows	32
4,535	4,425	3 or more bedroom flats	4,399
20,704	20,574	3 or more bedroom houses	20,520
65,081	**64,682**	**Total housing stock**	**64,542**

The changes in the property numbers is analysed below:

2009/10		2010/11
65,081	Stock at 1 April	64,682
(135)	Sales	(171)
(264)	Demolitions / transfers	(42)
0	Municipal Housing Trust	73
64,682	**Stock at 31 March**	**64,542**

The housing stock, land and other property within the HRA are valued in line with the DCLG Guidance on Stock Valuation for Resource Accounting, published in January 2011. The basis of the valuation is in accordance with the Royal Institute of Chartered Surveyors using the Existing Use Value for social housing.

The Balance Sheet values of HRA fixed assets are as follows:

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
2,003.0	2,122.0	Council dwellings	
10.4	8.9	Other land and buildings	0
2,013.4	**2,130.9**	**Total operational assets**	**0**
46.7	40.7	Non-operational assets	0
2,060.1	**2,171.6**	**Total**	**0**

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £XXXm was spent on HRA dwellings during the year but impaired as not adding value to the dwellings. This impairment was charged to the Capital Adjustment Account and did not, therefore, represent a charge to the HRA. The HRA has been charged with a gain of £XXXm in respect of Right to Buy sales.

H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the authority's HRA, valued in accordance with the Guidance, as at 1 April 20XX is £XXXm

(b) The difference between the above figure and the figure of £0m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the DCLG's stock valuation model.

H3. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute is a reflection of capital expenditure that does not result in an asset, of which there are none in the financial year 20XX/XX.

H4. Impairment Charges

Impairment charges reflect a reduction in the value of fixed assets due to the economic environment or something that has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. As disclosed in Note H1 an impairment of £XXXm was made to the carrying value of HRA dwellings to reflect the fact that this expenditure did not add equivalent value. This impairment was not charged to the HRA.

H5. Major Repairs Reserve

The Major Repairs Allowance is a cash sum allocated per property per annum based on type and size. The allowance is provided to maintain properties in their present condition of repair. The figure for 2009/10 included an advance of £25m from the 2010/11 allocation that was agreed by the DCLG. This reduced the amount available in 2010/11 by £25m.

The main movements on the Major Repairs Reserve are set out below

2009/10 £m		2010/11 £m
0	Balance on Major Repairs Reserve at 1 April	0
40.7	Amount transferred to Major Repairs Reserve during the year	40.9
25.0	Transfer to Major Repairs Reserve from 2011/12 allocation	(25.0)
(65.7)	Charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the authority's HRA	(14.9)
0	**Balance on Major Repairs Reserve at 31 March**	**1.0**

H6. Housing Revenue Account Subsidy

This Subsidy includes two components namely, Housing Revenue Account Subsidy and the Major Repairs Allowance (MRA). The HRA Subsidy element is calculated using stock numbers, allowances for management/maintenance, capital financing costs and notional rental income. The MRA is based on property numbers and is paid (explained in Note 5) through the HRA Subsidy administration system.

Analysis of the HRA subsidy payable by the Authority for this financial year and the prior year in accordance with the regulations of the General Determination of Housing Revenue Account Subsidy:

2009/10		2010/11
£m		£m
(44.8)	Allowance for management	(45.9)
(67.1)	Allowance for maintenance	(68.0)
(65.7)	Allowance for Major Repairs	(15.9)
(34.8)	Capital charges	(32.3)
0	Other items of reckonable expenditure	(2.4)
207.7	Rental income	212.9
(3.1)	Interest on receipts	0
(7.8)	**HRA subsidy receivable / (payable)**	**48.4**

H7. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2009/10		2010/11
£m		£m
10.7	Supported borrowing (Regional Housing Executive)	0
33.3	Prudential borrowing	73.4
7.0	Usable Capital Receipts (Right to Buy / land)	0
65.7	Major Repairs Reserve	14.9
0.1	Revenue contributions	5.3
6.2	Other resources	12.3
123.0		**105.9**

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £12.8m (land £2.0m, houses £10.8m). The values for 2009/10 were £13.1m (land £4.3m and houses £8.8m). The Government has introduced a capital receipts pooling framework and of these amounts £7.6m was paid to Central Government (2009/10: £5.9m).

H8. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within the Authority's HRA is £40.9m (2009/10: £40.7m). The principle adopted by the Authority follows guidance from DCLG that the major repairs allowance (excluding the bring-forward of 2009/10 MRA to 2010/11 of £25m) is a satisfactory proxy as this is based on maintaining properties in their present condition.

2009/10		2010/11
£m		£m
40.7	Council dwellings	40.9
0	Other land and buildings	0
40.7	**Total operational assets**	**40.9**
0	Non-operational assets	0
40.7	**Total depreciation**	**40.9**

H9. Contribution from Pension Reserve

The Comprehensive Income and Expenditure Statement includes pension costs calculated in accordance with International Accounting Standard (IAS) 19 as described in detail in Note 40 to the Core Financial Statements. To ensure that these costs do not affect the level of HRA balances and Council house rents, an appropriation is made from the Pensions Reserve so that the movement in balances only reflects the actual employer's pension contribution.

H10. Rent Arrears

Rent arrears from current tenants at 31 March 2011 totalled £8.2m (2009/10: £8.6m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £12.1m at 31 March 2011 (2009/10: £11.8m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/leaseholder/benefit overpayments. The provision was £15.0m at 31 March 2011 (2009/10: £15.4m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
11.2	8.6	Current tenants	8.2
7.7	6.1	Housing benefit overpayment	6.2
5.1	5.7	Other debt (services/leaseholders)	5.9
24.0	**20.4**	**Total arrears**	**20.3**
18.2	15.4	Provision for bad debts	15.0

Collection Fund Income and Expenditure Account

2009/10 £000		Note	2010/11 £000	£000
	Income			
	Council Tax:			
(275,681)	Income	C1	(279,112)	
(2,115)	Council Tax written back		0	
	Transfers from General Fund:			
(98,889)	Council Tax Benefit		(99,862)	
0	Decrease in provision for bad debts	C4	0	
(376,685)				**(378,974)**
	Business Ratepayers:	C2		
(363,192)	Income collectable		(362,148)	
	Community Charge:			
(1)	Income collected resulting in a reduction to provision for bad debts		0	
(363,193)				**(362,148)**
	Contribution towards previous year's Deficit:	C3		
0	Birmingham City Council		0	
0	West Midlands Fire & Rescue Authority		0	
0	West Midlands Police Authority		0	
0				**0**
(739,878)	**Total Income**			**(741,122)**
	Expenditure			
	Demands on the Collection Fund:	C3		
323,874	Birmingham City Council		332,663	
86	Frankley in Birmingham Parish		90	
13,898	West Midlands Fire & Rescue Authority		14,288	
29,035	West Midlands Police Authority		29,707	
366,893				**376,747**
	Contribution towards previous year's surplus:			
0	Birmingham City Council		2,649	
0	West Midlands Fire & Rescue Authority		114	
0	West Midlands Police Authority		237	
0				**3,000**
	Council Tax:			
5,056	Increase in Provision for Bad Debts	C4	357	
0	Debts written off		3,469	
	Business Rates:			
361,219	Payment to National Pool		360,207	
1,974	Cost of Collection Allowance		1,941	
368,249				**365,974**
735,142	**Total Expenditure**			**745,721**
(4,736)	**(Surplus) / Deficit For the Year**			**4,599**

27	(Surplus) / Deficit Brought Forward	(4,709)
(4,709)	**(Surplus) / Deficit Carried Forward**	**(110)**

Notes to the Collection Fund

C1. Contributions from Council Taxpayers

The Council's tax base at January 2011 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Number of properties	Ratio	Band D equivalent dwellings
AR	235	5/9	131
A	132,036	6/9	88,024
B	108,206	7/9	84,160
C	64,762	8/9	57,566
D	31,433	1	31,433
E	18,083	11/9	22,101
F	7,772	13/9	11,226
G	5,249	15/9	8,748
H	708	18/9	1,416
Total	**368,484**		**304,805**
	Less: adjustment for collection rate		(6,096)
			298,709

The level of Council Tax is calculated at the beginning of the year and is calculated so as to ensure that the Council has enough money to pay for the services it provides. The amount of tax paid by local residents is based on how much the property they live in is worth. There are nine property valuation bands, AR to H.

The total required by the Collection Fund is divided by the Council Tax base. This represents the number of properties in the borough, expressed as equivalent Band D properties. The level of Council Tax paid for a Band D property is the total income required divided by the Council Tax base, subject to any discounts to which a Council Tax payer may be entitled. The amount is adjusted for discounts and exemptions that particular residents in the borough are entitled to. These discounts and exemptions are reimbursed by Central Government.

The figures for the New Frankley in Birmingham Parish are:

Band	No. of properties	Ratio	Band D equivalent dwellings
AR	4	5/9	2
A	1,301	6/9	868
B	1,450	7/9	1,128
C	94	8/9	84
D	55	1	55
E	1	11/9	1
F	0	13/9	0
G	0	15/9	0
H	0	18/9	0
Total	**2,905**		**2,138**
	Less: adjustment for collection rate		(43)

2,095

C2. Business Ratepayers

Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (41.4p for 2010/1 : 48.5p for 2009/10). The total non-domestic rateable value at 31 March 2011 was £1,044.3m (31 March 2010: £928.8m). The total amount, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

2009/10		2010/11
£m		£m
516.8	Contribution to the NNDR pool: Non-domestic rates	520.7
0.8	Less: transitional relief adjustments	11.9
(156.4)	Less: allowances and adjustments	(172.4)
361.2	**Net contribution to NNDR pool**	**360.2**
405.2	Amount actually paid during the year	361.9
(44.0)	Payment to / (refund due from) pool	(1.7)
361.2		**360.2**
	Re-distribution from NNDR pool:	
536.3	Net income to City Council	**592.0**

C3. Precept Payments

The preceptors on the Collection Fund are New Frankley in Birmingham Parish Council, the West Midlands Fire and Rescue Authority and the West Midlands Police Authority.

C4. Bad Debts

Every effort is made to recover all amounts due from Council/Community Tax and Business Ratepayers. However, where it has been proved impossible to recover unpaid charges, such amounts are written off to the Collection Fund Account.

In 2010/11 unpaid Council Tax of £4.6m was written off, (2009/10: £2.9m) which represents 0.77% of the amount of Council Tax due as at 1 April 2010 including amounts brought forward from earlier years, (2009/10: 0.50%).

Unpaid NNDR of £0.4m was written off, (2009/10: £0.2m written off). This represented 0.10% of NNDR due as at 1 April 2010 including amounts brought forward from earlier years, (2009/10: 0.06%).

Glossary

Accruals
Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Cred

Amortised Cost
Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the balance sheet will b down or written up via the Income and Expenditure Account over the term of the instrument.

Balances
The total level of funds an authority has accumulated over the years, available to support revenue expenditure within the year.

Beacon Properties
In valuing the Housing Stock the Council's properties are grouped into similar types and a sample from each type, known as bea are valued with the results being multiplied up to give a total value for each type.

BEST
The Council has developed a comprehensive programme for embedding the values of the organisation; Belief, Excellence, Succ (BEST).

Capital Adjustment Account

This account contains the balances previously held on the Capital Financing Account and Fixed Asset Restatement Account. Th in year relate to the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference bet provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing

Capital Financing Requirement
An amount calculated as Long Term Assets less the balances on Capital Financing Account and Fixed Asset Restatement Acco Deferred Grant Account. The Council is required to make a provision of 4% of this amount from revenue resources to meet its d obligations. This is known as the Minimum Revenue Provision (qv).

Capital Receipt
Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the Council.

CIES
Comprehensive Income and Expenditure Statement.

CIPFA SOLACE
The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge t accountability for the proper conduct of public business.

Collection Fund
A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public aut records receipts of non-domestic rates collected on behalf of Central Government.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions o disposal. Examples of community assets are parks and historic buildings.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

Creditors
An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made
the year.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Debtors
Sums of money owed to the Council but not received at the end of the year.

Defined Benefit Pension Scheme
A retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independer
contributions payable, and the benefits are not directly related to the investments of the scheme.

Earmarked Reserve
A sum set aside for a specific purpose.

Effective Interest Rate
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Emoluments
Payments received in cash and benefits for employment.

Existing Use Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller
length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its mark
differ from that needed to replace the remaining service potential at least cost.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any g
receivable towards the purchase or the use of the asset.

Fees and Charges
Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually
cost of the asset together with a return for the cost of finance.

Fixed Assets
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples inclu
buildings and vehicles.

General Fund
The total services of the Council except for the HRA and the Collection Fund, the net cost of which is met by Council Tax, Gover
and NNDR.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the for
transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the C

Government Grants Deferred Account
Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which
depreciated. The balance on this account represents grants not yet written off.

Housing Revenue Account (HRA)

A separate account detailing the expenditure and income arising from the provision of Council housing.

HRA Subsidy
Grant paid by Central Government to support the provision of rented housing.

Impairment
A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage. To comply with accounting sta
Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure Assets
These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such
highways and footpaths.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council.
should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where th
restrictions as to the investor's ability to dispose of the investment.

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held f
investment potential with rental income being negotiated at arms length.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually p
one year of the balance sheet date.

Market Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller
length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality
An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distorti
given by the financial statements.

Minimum Revenue Provision (MRP)
A minimum amount set by law, which the Council must charge to the revenue account, for debt redemption or for the discharge
liabilities.

MiRS
Movement in Reserves Statement.

National Non-Domestic Rates (NNDR)
Rates which are levied on business properties. The Council collects these rates and pays them into a national pool, which is the
on the basis of population.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative
provided for depreciation.

Non Operational Assets
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services.

Operational Assets
Fixed assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or dis
power to provide.

Operating Leases
Leases other than a finance lease.

Post Balance Sheet Events

Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the stateme
is signed by the responsible financial officer.

Precept

Amounts levied on the Council by other councils or public bodies (Police Authorities, Fire and Rescue Authorities and Parish Co
cannot directly raise council tax themselves.

Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of funda
They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

A Government initiative which enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a
estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Pro
for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Related Party

There is a detailed definition of related parties in FRS8. For the Council's purposes, related parties are deemed to include the el
Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an inte

Revenue Expenditure

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be incurred, but does not result in an asset owned by the Council. Examples of these are expe
such as improvement grants.

Revenue Support Grant (RSG)

A grant from Central Government towards the cost of providing services.

Outstanding Items List at 30/06/2011

The following is a list of the known items which were not possible to complete prior to the production of the draft Financial Accounts, and will be addressed and finalised for the final statements.

Fixed Assets

1. Estimated value for Highways Private Finance Initiatives
2. Estimated value for final matching of RAM (asset system) to leases (currently £200m)
3. Estimated value for inclusion of non material leases
4. Estimated value for missing leases
5. Estimated value for final matching with Technology Forge (asset system)
6. Estimated value for Housing Land
7. Estimated value for removal of fixed assets due to leasing
8. Estimate of the profit impact for the de-recognition of assets as a result of finance leases
9. Estimate of assets to be added as a result of finance leases as lessee
10. Awaiting formal valuation, current system valuation possibly overstated by £200m
11. Useful Lives of De-recognised Components – estimate will require amendment
12. Reclassification of non-operational assets, e.g. investment, community and surplus, to operational assets as the split between land and building for some assets is not yet know. Where this is the case, depreciation will not be applied.

Leasing

For missing leases, data quality checks and system refinements following completion of system testing (including valuation modules), the following are required:

1. Operating lease accrual (TBA – no estimate available yet)
2. Operating lease prepayment (TBA – no estimate available yet)
3. Finance lease long term debtor (TBA – no estimate available yet)
4. Finance lease liability (TBA – no estimate available yet)

Pensions

1. No information has been made available in respect of Long Term Disability Benefits. It is expected that exclusion will not be material, however further work is required to evidence this

Employee Benefits

1. Flexi Time Accrual – the current estimate will require amendment
2. Termination Benefits - assumed no change to the proposed accounting treatment and has been discussed with the Audit Commission

JANES

1. Accounting treatment assessment is required for the potential New St Station JANE, the Mental Health and Learning Disabilities JANE and any others that may come to light

Housing

1. Valuations, including componentisation, are outstanding, so a management estimate has been included within the draft statements for each of the balance sheet dates of £2bn based on the opening year figures. When the 2010/11 exercise is completed these figures will be substituted

Heritage Assets

1. Not material however confirmation of ownership of Heritage Assets has yet to be determined and the subsequent note to be completed.

Group Accounts

1. Delivery agreed for the 5/8/11 to the Auditors

Contract Review 2010/11

1. Not yet completed, therefore any additional items may be identified from this process for inclusion in the accounts - although this is not expected to be material based upon previous years exercise

Highways PFI

1. The accounts do not yet reflect the full accounting treatment for Highways

Cashflow Statement

1. This has yet to be completed

BVACOP

1. An analytical review has been undertaken, although this may require further work to understand the reasons for the significant variances in gross expenditure or income

Segmental Analysis

1. This task has yet to be completed, as it is reliant on the completion of a number of earlier stages which have been delayed

Adjustment to the financial statements

1. Two adjustments to fixed assets were required to balance the accounts, as a result of the incomplete work to remove the fixed assets transactions from Voyager and the ongoing work rebuilding of both the fixed asset and lease databases. The values are in line with the final expected adjustments, but the final treatment of these will not be clear until both the fixed asset and lease data rebuilding work is complete, and the removal of fixed assets from Voyager is finalised. These were: £36.3m in 2009/10 and £43.9m in 2010/11

2. In addition to allow the merging of RAM and Voyager the reserves were adjusted by £46.0m in 2009/10 and £4.2m in 2010/11

Other Disclosure Notes

1. Critical Judgements in Applying Accounting Policies (Note 3) to be completed
2. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Note 4) to be completed
3. Property, Plant and Equipment (Note 12) and other HRA notes to be completed when housing valuations are available
4. Capital Expenditure and Capital Financing (Note 14) needs to be adjusted for CFR once the PFI and lease information has been completed
5. Nature and Extent of Risks Arising from Financial Instruments (Note 16) narrative and format to be completed and updated (see hidden cells).
6. Related Party Transactions (Note 38) list of organisations to be finalised.
7. Contingent Liabilities (Note 41) figures to be updated
8. Transition to IFRS (Note 43) lease table to be formatted and added

Foreword

1. Wording to be more fully reviewed in the light of adoption of IFRS.